

SUPPLY CHAIN MANAGEMENT

Procurement Policies & Procedures

Module 3: Procedures for Contract Purchases

Revision 1

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Module 3: Procedures for Contract Purchases

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Overview – Contract Purchases

A. Purpose

This module provides procurement procedures governing Southern Company Supply Chain Management (SCM) Organization's Contract purchases.

B. Scope

These procedures, along with the Southern Company Contract Guidance Manual ("Manual" or "CGM"), define how all Contracting activities are to be managed. This module has been developed to provide additional procedures and/or technical information as to how the Contract development processes are to be performed on a day-to-day basis. The procedures in this module are to be used by Southern Company SCM to procure materials, equipment, and/or services that require Contracts.

Note: Each SCM employee shall ensure all processes followed in the Contracting process comply with both the Manual and this module. This module is controlled and maintained by the Manager of Compliance for SCM.

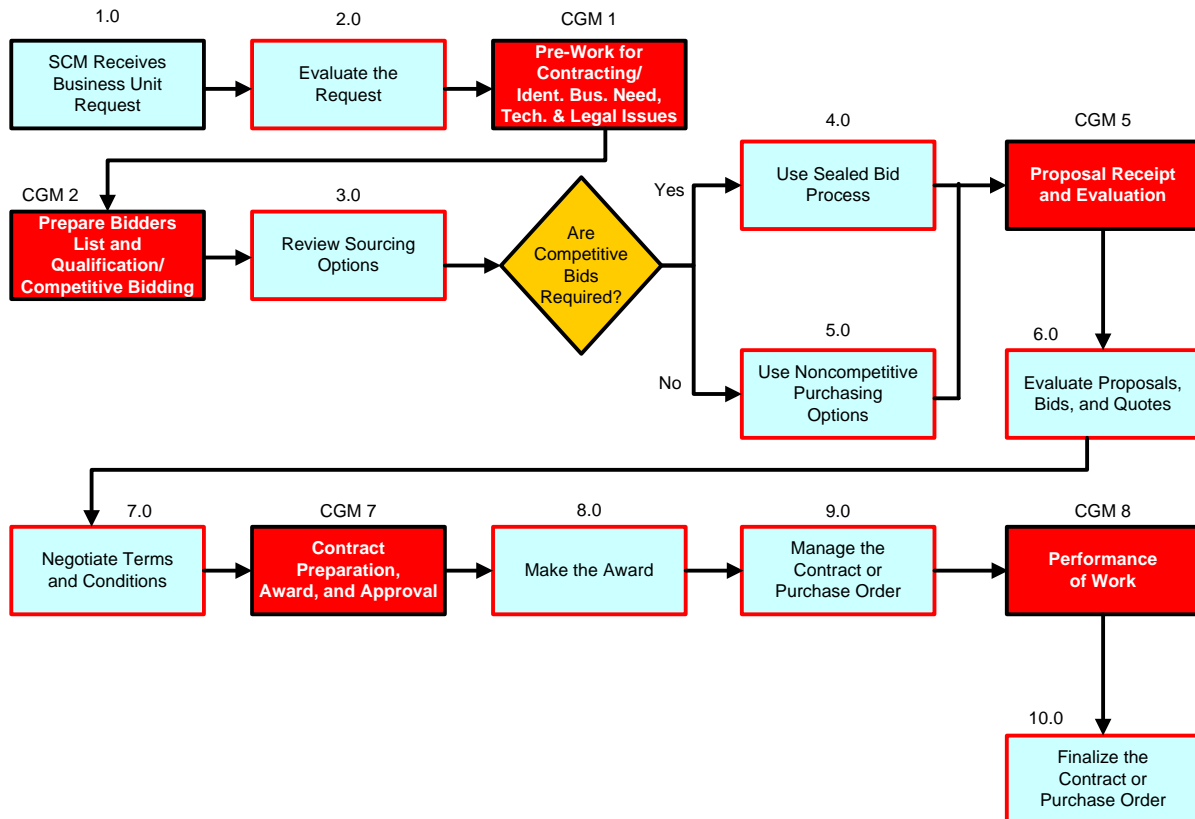
These procedures do not take the place of individual discretion and judgment. All procurement decisions should be made with the best interests of Southern Company and its Affiliates in mind. Deviations from these procedures must be documented in detail and approved by SCM Management.

See Appendix A, Glossary, for definition of key terms used in the SCM Policies and Procedures.

The Contract Purchases Process

The procurement process is divided into 10 manageable steps to be followed in conjunction with the guidelines detailed in the [Contract Guidance Manual](#) (Module 6). Each of these steps and the associated guideline is a detailed process.

Process Flowchart – SCM Contract Purchases Process



Note: “CGM” refers to the [Contract Guidance Manual](#) (Module 6) and each of the CGM steps is a reference to the corresponding step within the CGM. It should be noted that CGM 3 and CGM 4 are both contained in 4.0, Use Sealed Bid Process. CGM 6 is contained in 6.0, Evaluate Bids or Proposals.

1.0 Receive the Business Unit Request

SCM receives a request from the Business Unit, normally in the form of a Requisition.

A. Valid Request Mechanisms

The following are approved request mechanisms SCM may accept to initiate procurement under this module.

1. Requisition

A Requisition is the standard Southern Company method to request SCM to issue a Purchase Order (PO)/Release for materials or services as defined in this module.

2. E-mail

The Buyer may accept an e-mail request to initiate a Request for Proposal (RFP), a Request for Quotation (RFQ), or to establish a Convenience Contract.

The Buyer may also accept an e-mail for the purchase of materials or services in certain situations. Such requests for the purchase of materials or services are generally made for Priority 1 and 2 purchases. **The Requestor is required to followup with the appropriate paperwork and requisition as soon as possible.**

B. Requisition Requirement

A Requisition is required to authorize the expenditure for all purchases to be made by SCM. It is through the Requisition that SCM issues a PO.

The Business Unit will initiate the Requisition process in Maximo. If necessary, the Requisition should specify the individual responsible for invoice reconciliation (Invoice Reconciler) and Contract administration (Contract Administrator) as well as the estimated expenditure amount of the request. All Requisitions must adequately detail the material to be provided and/or scope of work to be performed to allow appropriate processing and competitive bidding as required.

C. Technical Specifications

Business Units are encouraged to provide all possible documentation, specifications, and drawings as an attachment to the Requisition or in an electronic format. When this is not possible in bid situations, the Business Unit should provide a quantity equal to the number of bidders plus one copy for permanent procurement files. The degree of documentation/description may vary from project to project.

If the Business Unit has provided bid specifications developed based on information provided by a Supplier, the Contract Agent should verify that the specifications do not provide an unfair advantage to that Supplier.

SCM may assist in the development of specifications and details. Commercial terms and conditions will be provided by SCM including form Contracts, maintenance agreements, etc.

D. Emergency Requests

Emergency conditions exist when there is an immediate purchase need and time does not allow for normal processing of the Requisition. Purchases should be made using this method only in urgent circumstances and in the absence of other available purchase methods. Emergency Requisitions can be created in Maximo and should have a Priority Code of 1 or 2 (see 2.1, Review Priority Code).

1. Emergency Requests During Normal Working Hours

These procedures should be followed for emergency requests during normal working hours:

- The Business Unit contacts the appropriate Contract Agent in SCM for assistance in sourcing options and/or issuance of an Emergency PO, if required.
- For emailed requests, the Contract Agent should ensure that both a requestor and an approver have been identified and that the approver's approval authority is equal to or greater than the estimated value of the request.
- The Business Unit completes the Requisition and references the Emergency PO number (if obtained). If an Emergency PO has been sent to the Supplier, the Requestor should include the following note in the Internal Comments field on the Requisition: "Confirmation goods or services already ordered/requested." The Requisition is sent through the normal routing and approval process.

Note: In Emergency situations where a Priority Code of 1 or 2 is used, the Contract Agent should note that the Business Unit may require a sole source justification regardless of the emergency status or Priority Code. In situations where a sole source justification is required, it should be provided at the time the Requisition is sent to SCM. The sole source justification should specify what negative effects would have occurred if the emergency purchase had not been made, such as loss of power delivery, revenues, or plant availability.

2. Emergency Requisitions Outside Normal Working Hours

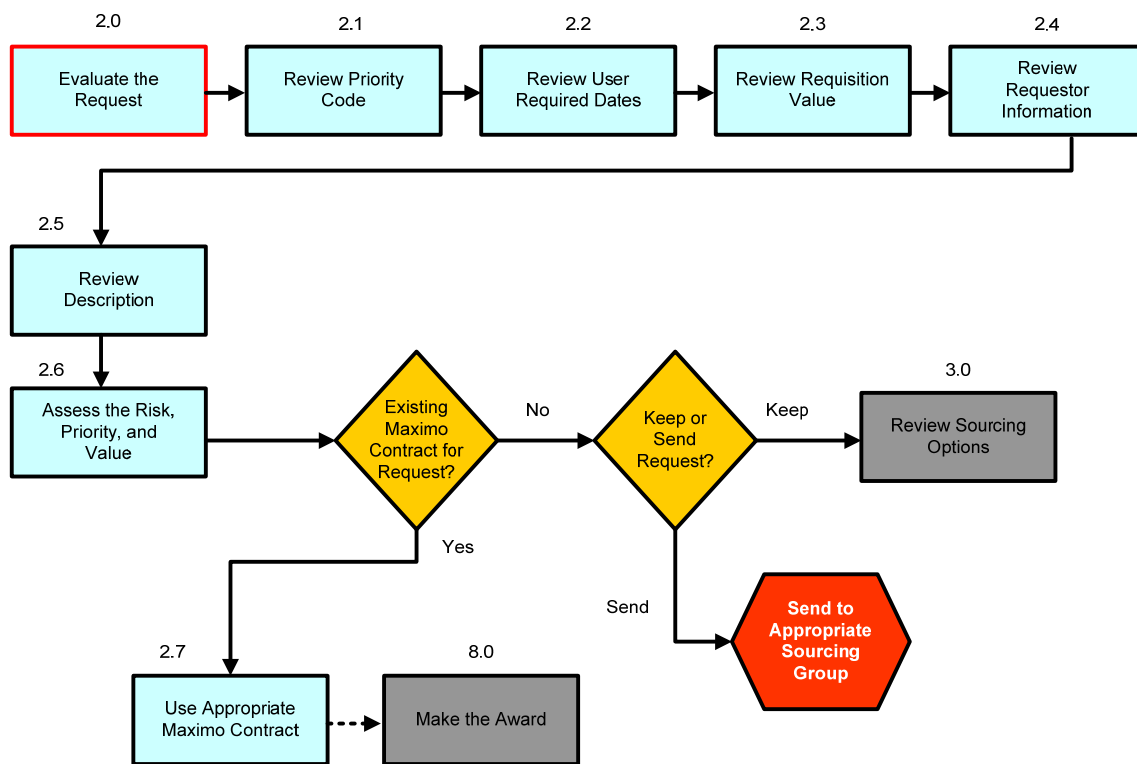
When SCM personnel are unavailable, the following procedures should be followed:

- The Requestor should obtain an Emergency PO number and provide it to the Supplier to facilitate the procurement of the emergency request.
Note: To facilitate this process, the Buyer may need to provide a list of Emergency PO numbers to the Business Unit.
- The Business Unit should then complete the Requisition and reference the Emergency Purchase Order number. The Requestor should include the following note in the Internal Comments field on the Requisition: "Confirmation goods or services already ordered/requested." The Requisition should be sent through the normal routing and approval process.
- As soon as SCM is available, the Requestor should contact the appropriate Contract Agent for assistance in completing the required documentation of the emergency request.
- The Contract Agent should use the Requisition to update the Emergency PO in Maximo.
- **Note:** In emergency situations where a Priority Code of 1 or 2 is used, the Contract Agent should note that the Business Unit may require a sole source justification regardless of the emergency status or Priority Code. In situations where a sole source justification is required, it should be provided when the Requisition is sent to SCM. The sole source justification should specify what negative effects would have occurred if the emergency purchase had not been made, such as loss of power delivery, revenues, or plant availability.

2.0 Evaluate the Request

The Contract Agent must carefully evaluate each request. This is critical to the overall process and the successful procurement of the material, equipment, or service. The Contract Agent should contact the Requestor if additional information is needed during this stage. Upon receiving a request, the Contract Agent should initially review the Priority Code, required dates, estimated value, and description (scope of work) for completeness prior to assessing how to proceed. Based on the Contract Agent's evaluation, the request may be forwarded to another Contract Agent, or he/she may continue using this Module 3.

Process Flowchart – Evaluate the Request



2.1 Review Priority Code

Priority Codes are assigned by the Business Unit to establish the priority of the Business Unit's need for the material, equipment, or service and to authorize certain actions by the Contract Agent.

Priority Codes are classified as 1, 2, 3, or 4 in Maximo. The Contract Agent is expected to take immediate action to fill Priority 1 and 2 Requisitions.

A. Priority Codes

1. Priority Code 1

Priority 1 indicates the material or service affects customer service – an immediate impact exists. Examples of Priority 1 impacts include compromised generating plant availability, loss of power delivery, and major communication degradation.

2. Priority Code 2

Priority 2 indicates an economic risk exists – an immediate adverse impact on revenues and expenses.

3. Priority Code 3

Priority 3 is a routine purchase but is lead-time dependent. If it is not received by the date required, it has the potential to become Priority 1 or 2.

The Contract Agent is expected to take action necessary to meet the user's needs on or before the required delivery date.

4. Priority Code 4

Priority 4 is a routine purchase. This is normal inventory replenishment or other requirement where adequate lead time is available.

Even though Priority 4 is the lowest priority, these requests still require immediate attention by SCM. The date required is considered a vital part of such Requisitions and should not be compromised, if possible.

On Priority 4 Requisitions, the Contract Agent's effort is usually concentrated on sourcing and pricing rather than on expediting delivery.

2.2 Review User Required Dates

The Contract Agent should ensure a required date is on the request. The required date refers to the day the material must be onsite or the day the service must be completed.

2.3 Review Requisition Value

The Contract Agent should review the estimated amount on the request to ensure the appropriate action is taken in processing the request and the proper terms and conditions are established.

2.4 Review Requestor Information

The Contract Agent should confirm the Business Unit requestor and contact, as necessary, to ensure SCM have all required information.

2.5 Review Description

The Contract Agent should carefully review the description of the request to determine if it contains sufficient information to obtain a quote/proposal. The Contract Agent should contact the Business Unit if additional information is required.

Note: If the description of the request is to purchase software or hardware, the Contract Agent should assist the Business Unit requestor in complying with the Information Matters Policies prior to purchasing hardware or software:

http://compliance.southernco.com/policies/soco/Corporate-Policies/IT_Acquisition_Policy.doc

2.6 Assess the Risk, Priority, and Value

Managing risks prior to the issuance of a Contract is an important part of management and compliance strategy. These risk management strategies are fundamental in supporting good procurement decisions and managing each PO on an individual basis. Therefore, a risk assessment process is necessary on every Requisition.

By identifying potential risks early, the Contract Agent can determine if the terms and conditions available within a PO or an existing Contract will be sufficient to cover the associated risks or if the request will require a new Contract.

Contract Agents, as agents of Southern Company, should work diligently to ensure the appropriate Contractual terms and conditions are in place prior to a Supplier beginning work. By ensuring this, risk and noncompliance issues will be avoided.

The Contract Agent has the option to seek input from Risk Management, Accounting Research, and/or Legal to ensure risks are properly managed, as needed.

A. Liability and Ethics

Southern Company is committed to conducting its business in an ethical, professional manner and in compliance with all laws and regulations. Agents for Southern Company must take all of these issues into account when purchasing materials or services from a Supplier. If an Agent believes that any part of the process is not consistent with Southern Company's commitment to ethics, compliance with laws and regulations, or company policies, he or she is obligated to discuss the issue with management. If an Agent discusses such concerns with management but does not believe that adequate actions have been taken, he or she has a duty to report the issue to the proper compliance officer or Concerns Program (1-800-754-9452).

B. Identifying and Managing Risk

To protect Southern Company's interests, SCM employees must ensure the appropriate POs or Agreements/Contracts are in place with Suppliers that minimize Southern Company's liability resulting from accidents, errors, or other risks.

Examples of different forms of risk and considerations for determining appropriate Contract language are described below:

1. Commercial High Risk

Commercial high risk is defined as having a significant impact to revenues.

Some examples of high risk include:

- Engineered items that may affect generation.
- Equipment used with hazardous chemicals.
- Environmental equipment where performance is critical.
- Onsite labor – Construction.
- Onsite labor – Maintenance in hazardous areas.

2. Commercial Medium Risk

Commercial medium risk is defined as having a potential impact to revenues.

Some examples of medium risk include:

- Engineered items when warranty and delivery may be critical.
- Intellectual property infringement.

- Intellectual property ownership issues (“Works Made for Hire”).
- Onsite labor – Janitorial services, landscaping.
- Offsite labor – Work performed on third party site (such as tree trimming).

3. Commercial Low Risk

Commercial low risk is defined as having little or no impact to revenues.

Some examples of low risk purchases include:

- Inventory material.
- Work performed on Supplier site.

4. Contributing Risk Factors

Other factors that may increase risk and require use of a written Contract include, but are not limited to, the following:

- Work on or around equipment in operation on Southern Company property.
- Work on or around energized lines.
- Work in which there is the potential of serious bodily injury or death on or off Southern Company property.
- Work in which there is the potential of destruction or property damage on or off Southern Company property.
- Work that involved a conveyance of ownership in intellectual property (such as “Works Made for Hire”).

5. Financial Risk

In many instances a Supplier may pose a financial risk to Southern Company. These factors may include:

- The Supplier lacks the necessary skills to complete the job.
- The Supplier is involved in extensive litigation that may affect performance of its Contract.
- The Supplier may be unable to deliver products in a timely manner because of internal company problems.
- The Supplier cannot deliver products or services because of a pending bankruptcy.
- The Supplier has experienced a tragedy (fire, earthquake, disease outbreak, etc.) that places its production schedule at risk.

- The Supplier has a history of poor performance on Southern Company property, possibly including the following:
 - The Supplier misappropriated or damaged Southern Company property.
 - The Supplier performed acts that harmed or had the potential to harm others while performing Southern Company tasks (third party liability).
 - The Supplier did not perform work that was invoiced and paid.
 - The Supplier reported Southern Company activities without attempting to communicate problems to Southern Company.
 - The Supplier dealt with Southern Company customers in a way that exposed the Southern Company to liability.

6. Type of Contract, Pricing, and Contract Administration Risk

If the type of Contract being considered (independent Contractor, leasing agency, labor broker, license agreement, etc.) is not suitable for the defined scope of work, a “Contract type” risk may exist. If pricing options being considered (fixed price, unit price, time and material, etc.) do not appear to be reasonable for the type of work being performed or may not be consistent with how similar work has been priced in the past, a “pricing” risk may exist. If the scope of the work is not defined in adequate detail to provide for reasonable price and quantity verification, a “Contract administration” risk may exist.

The Contract Agent should work with the requesting organization to more fully discuss the work to be performed, the appropriate Contract for accomplishing the work, or the pricing methodology to be used to mitigate any of these risks. If the requesting organization is unwilling to mitigate any significant risks, the Contract Agent should discuss with his or her management.

7. Safety Risk

A safety risk may be involved if:

- The Supplier’s submitted safety information does not meet the minimum requirements outlined in the Contract Guidance Manual.
- The Supplier is dealing or selling a potentially dangerous product (paint, fertilizer, kerosene, gasoline, etc.).
- The Supplier has a history of poor safety performance on previous Southern Company project(s), possibly including the following:
 - The Supplier failed to follow safety regulations of the Occupational Safety and Health Administration (OSHA) or other agencies (Environmental Protection Agency, Food and Drug Administration, Federal Aviation Administration, and so on).

- The Supplier failed to follow basic safety rules not covered by specific regulation.
- The Supplier used an unskilled workforce.
- The Supplier failed to carry appropriate insurance.
- The Supplier used unsafe equipment or did not properly maintain its equipment.
- The Supplier failed to have adequate safeguards and safety plans in place (such as a spill control plan).

8. Security Risk

A security risk may be involved if:

- Suppliers or their employees have records of criminal behavior.
- The Supplier has employees who violate immigration policies.
- The Supplier has violated federal or state statutes and has not informed Southern Company of violations.
- The Supplier has access to Southern Company information—financial, intellectual, and personal.
- The Supplier subcontracts with others who do not comply with Southern Company policies and procedures.

9. Compliance Risk

A compliance risk may exist if:

- The appropriate terms and conditions are not included within the Contract.
- A Supplier is used that has a history of not abiding by Southern Company contractual requirements. These may include the following:
 - Supplier failed to abide by terms and conditions of the Contract.
 - Supplier did not adhere to applicable regulations and Southern Company policies.
 - Supplier failed to perform in compliance with federal, state, or local laws.

B. Methods of Mitigating the Risk

There is inherent risk in every business transaction. However, the majority of the risk may be avoided or better managed by:

- Properly assessing and planning for the risk in each potential Contract/Purchase Order.

- Taking into consideration each of the examples of potential risk identified above in the Identifying and Managing Risk section and determining the appropriate terms and conditions to be used.
- Selecting quality Suppliers and requiring them to comply with Southern Company policies and procedures, laws, and other regulations.
- Developing a Contract/PO with each Supplier that adequately covers the risk and using the expertise of Legal, Accounting, and/or Risk Management as necessary.
- Administering each Contract/PO carefully to ensure each party is meeting its contractual obligations (Business Unit responsibility).

C. Performing the Assessment

After reviewing the request, the Contract Agent should use his or her experience to assess the risk associated with the above criteria and consider the Priority of the request and its value. In most situations, Contract Agents using this module will be processing requests that fall under the category of medium to high commercial risk and/or could be impacted by the other identified risk areas.

Contract Agents should contact SCM Management if requestors misuse Priority Codes in an attempt to have orders processed faster. Priority Codes help Contract Agents determine how to source the request. Since Priority 1s and 2s are for transactions that affect customer service, or for which revenue could be potentially lost, these should be processed as quickly and efficiently as possible. If an order is placed in an undeserving Priority 1 or 2 status, this can affect the procurement methods employed by SCM and may result in the loss of Southern Company time and money.

Ultimately, it is the responsibility of the Contract Agent to ensure the appropriate individual within SCM receives the request. Contract Agents will be associated with specific Sites within Maximo and those Contract Agents shall assess the risk associated with the Business Unit request and determine the appropriate path within SCM. The Contract Agent should assess if the request is for a standard purchase (i.e., under standard PO terms only), or if the risk is greater and adherence to the Contract Guidance Manual is more applicable. Based on the result of this assessment, the request could be sent to another Buyer and processed under Module 2, kept and processed under this Module, or routed to a more appropriate Contract Agent for processing in accordance with this Module.

If the Contract Agent keeps a request for services or major equipment for processing and elects to use an existing Maximo Contract, the Contract Agent shall determine if the referenced Contract is appropriate for the new request. This determination can be completed by one or all of the following:

- Review the document(s) to determine the scope/intent.
- Contact the Contract Agent of record associated with the Maximo Contract to discuss.
- Discuss with SCM Management, as needed.

If the Contract Agent determines the Maximo Contract is not appropriate for the request, he or she should continue with the procedures in Module 3 or route the request to a more appropriate Contract Agent.

If the Maximo Contract is appropriate for the request, the Contract Agent should determine if the competitive requirements were met at the time the Maximo Contract was established. The Contract Agent will perform one of the following:

- If the competitive requirements were met, the Contract Agent should obtain the required documentation and proceed with issuing a release under the Maximo Contract.
- If the competitive requirements were not met and an exception to the competitive requirement applies, the Contract Agent should request a quote from the Supplier (if needed), obtain the required documentation (including a sole source justification from the Business Unit approved by the appropriate level of management, if required), and proceed with issuing a release under the Maximo Contract.
- If the competitive requirements were not met and an exception to the competitive requirement will not apply, the request will need to be competitively bid. The Contract Agent should continue within this Module 3 and the defined bid process, or route the request to a more appropriate Contract Agent.

2.7 Use Appropriate Maximo Contract

If it is determined during the evaluation of the request that an existing Maximo Contract could be used, then the Contract Agent should proceed with issuing a Release/PO under the appropriate Maximo Contract.

Note: Upon issuing the Release/PO, the Contract Agent should proceed to 8.0, Make the Award.

CGM1 Pre-Work for Contracting/Identify Business Unit Need, Technical, and Legal Issues

The Contract Agent should follow the “Pre-work for Contracting” guidelines included within Chapter II, F.1 of the [Contract Guidance Manual](#) (Module 6).

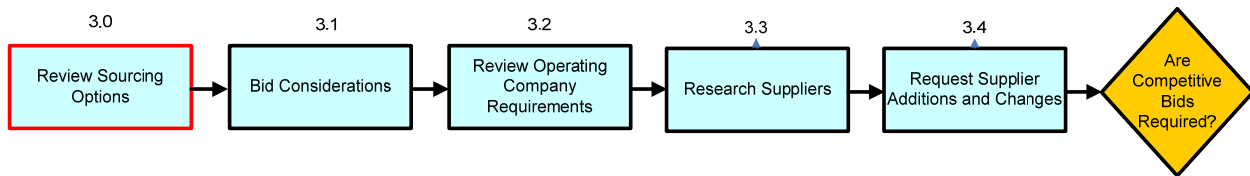
CGM2 Prepare Bidders List and Qualification/Competitive Bidding

The Contract Agent should follow the “Prepare Bidders List” and “Qualification/Competitive Bidding” guidelines included within Chapter II, F.2 of the [Contract Guidance Manual](#) (Module 6).

3.0 Review Sourcing Options

The Contract Agent shall comply with Southern Company requirements on bidding. If an exception to the competitive bid requirements applies, the Contract Agent must obtain all necessary documentation. The sourcing may result in a single source Supplier or a competitive bid depending on the requirements of the request.

Process Flowchart – Review Sourcing Options



3.1 Bid Considerations

A. Soliciting Competitive Bids

When the Requisition exceeds the minimum competitive bid amount, and alternative sources are available, the Contract Agent should solicit a minimum of three competitive bids.

When fewer than three Suppliers are available for solicitation of bids, the Contract Agent seeks competitive bids from those available and appropriately documents that information on the PO (for example, "two Suppliers only").

The Sealed Bid Process is required when soliciting competitive bids from Suppliers (see 4.0, Use Sealed Bid Process).

B. Exceptions to Competitive Bidding Requirements

Exceptions to the competitive bid process may be made under the circumstances listed below. **Any special circumstances shall be noted by the Contract Agent in the internal comments of the PO or documented within his or her records file.**

Note: Although competitive bids are not required in the circumstances described below, Contract Agents are expected to use reasonable judgment when deciding whether to solicit competitive bids. If any question exists concerning a Supplier's noncompetitive bid proposal obtained as a result of one of the competitive bid exceptions identified below, the Contract Agent should strongly consider rejecting the proposal and soliciting competitive bids prior to awarding the purchase. The Contract Agent should discuss concerns with SCM Management and the Business Unit Requestor and proceed in the best interest of Southern Company. The Contract Agent should document any concerns and the results within the internal comments of the PO.

1. Competitive Bid Minimum

If the value of the Requisition is less than the competitive bid minimum of \$10,000, the Contract Agent is not required to solicit competitive bids. The Contract Agent should use his or her experience and work with the Business Unit to select the Supplier in the best interest of Southern Company. The Contract Agent shall solicit a bid from the Supplier.

2. Sole Source Situations

The Business Unit may elect not to solicit competitive bids in situations where the value of the request exceeds the competitive bid minimum and there is a sole source Supplier. When a Contract Agent receives a request for sole sourcing, a letter justifying the reasons a sole source is required and should be included with the Requisition. (Example: [Sole Source Justification form](#)). The sole source

justification shall be approved by the appropriate member of the Business Unit management team. A sole source justification that exceeds \$250,000 requires the additional approval of the responsible executive. As a general rule, sole sourcing should not be used for materials or services that can be provided by more than one Supplier. It should be understood that sole sourcing sometimes results in higher prices.

3. Original Equipment Manufacturer (OEM)

Competitive bids are not required when the purchase of materials is to be made from the manufacturer of the original equipment and other sources are not available. The Buyer documents this situation by writing "OEM" in the internal comments section of the PO. If the Buyer is not certain of the OEM status, the Buyer should ask the Requestor to provide documentation supporting the OEM designation.

4. Priority 1 and 2 Purchases (Emergency)

Competitive bids are not required when the Priority Code of the Requisition is Priority 1 or 2 but should be sought whenever time permits. The Contract Agent should make this determination based on the particular circumstances. The Contract Agent should note that the Business Unit may require a Sole Source Justification regardless of the Priority Code. At the discretion of the Contract Agent, the Requestor should provide documentation of the emergency conditions.

Note: When practical, the Contract Agent should review emergency purchases to compare prices charged in emergency situations to those charged under non-emergency situations.

3.2 Review Operating Company Requirements

Where specific requirements for an operating company exist that impact sourcing options, Contract Agents must adhere to these requirements. Below are established requirements identified by operating company:

A. Georgia Power Requirements

The following statutes are from the Georgia State Code:

1. § 13-10-90. - Georgia Security and Immigration Compliance Act

Summary: No contractor or subcontractor may enter into a contract for the performance of services within Georgia unless the contractor or subcontractor registers and participates in the federal work authorization program to verify information of all new employees. All employers shall meet this verification by July 1, 2009.

B. Mississippi Power Requirements

The following statutes are from the Mississippi State Code:

1. **§ 77-3-16.** Bids required on certain public utility contracts; exceptions; list of contractors and suppliers.

Summary: Requires that Mississippi Power maintains a list of contractors and suppliers qualified to perform contracts within the scope of proposed utility projects and that any contractor can ask to be added to this list. The statute further requires that all contracts for construction, extension, or repair of facilities greater than \$200,000.00 be bid to all qualified contractors on this list and shall be awarded to the lowest and best bidder. Exceptions are for professional services, sole sources, or equipment and systems which by training or replacement of parts should be compatible with existing equipment.

2. **§ 31-3-21.** Bidding and awards.

Summary: Requires that any contractor bidding on construction work at Mississippi Power for work over \$50,000.00 obtain a "certificate of responsibility" from the State Board of Contractors. This certificate number or a statement that the work is for less than \$50,000.00 must appear on the exterior of the bid package or the bid cannot be opened.

3. **§ 71-11-3.** Definitions; verification of work eligibility status of new hires; employer liability; exemptions; penalties for violation.

Summary: Any person or business that is required by federal or state law to issue a United States Internal Revenue Service Form W-2 or Form 1099 to report income paid to employed or contracted personnel in Mississippi shall register with and utilize the status verification system to verify the federal employment authorization status of all newly hired employees. All employers shall meet this verification by July 1, 2011.

3.3 Research Suppliers

The Contract Agent should determine the Supplier, or develop a qualified bidder list, using a combination of the research options below:

A. Determining How to Source

A Contract Agent determines how to source a request based on the following areas:

- Business Unit input.
- Type of goods/services requested.

- Quantity requirements (standard and nonstandard packaging).
- Time frame requirements.
- Previous purchase history.
- Supplier availability.
- Customer service/references.
- Delivery requirements.
- History of previously awarded work/orders (last award).
- Supplier Diversity Classification.

B. Using Product Knowledge and Expertise

The Contract Agent may have certain product /Supplier knowledge in regards to the purchase, such as:

- Application and end use of product or service.
- Product assembly.
- Industry manufacturing lead-times.
- Knowledge of alternate/key Suppliers.
- Economic conditions involving material used to manufacture materials.
- Knowledge of Southern Company buying leverage in product and with individual Suppliers.
- Knowledge of availability from alternate sources (distributors, other operating companies, and so on).

C. Sources for Potential Suppliers

The Contract Agent may review the following resources when sourcing materials and services:

- Supplier Registry Database (Browz).
- Supplier Diversity Organization.
- Previous POs.
- Internet.
- Local Yellow Pages.
- Thomas Register for industrial products and services.
- GIGA, Forrester for computer and other technology products and services.

- Peers and Business Units.
- Other Operating Companies.
- Better Business Bureau.

3.4 Request Supplier Additions and Changes

A. Identify Supplier

After researching Suppliers, the Contract Agent should check the Maximo and/or the Browz Supplier databases to determine if the Supplier is already established in the system. If the correct Supplier and/or Supplier Site is not included or listed in the SCM Software Applications, the Contract Agent must request the Supplier and/or Supplier Site be added to the system. If the Supplier and/or Supplier Site is listed but any information is incorrect, the Contract Agent may need to request a change to the existing Supplier information.

B. Obtain Supplier Information, as Required

Before a Supplier is available for use in the SCM Software Applications, it must meet the minimum requirements of Southern Company so that material and service needs are met safely, economically, and ethically. These minimum requirements are identified and evaluated through the verification process. To initiate the verification process, the Contract Agent must collect all required company-specific information from the Supplier. It is the responsibility of the Contract Agent to collect the appropriate forms and submit them to the Supplier Maintenance Team to initiate the verification process.

Note: An affiliate may have specific documentation requirements which must be obtained prior to establishing a Supplier for a Site within the Affiliate's specific Org in Maximo. Contract Agents must ensure this documentation is obtained prior to submitting a request for this type of an addition or change.

C. Submit Request to Supplier Maintenance Team, as Required

When a Contract Agent identifies a potential need to add or change Supplier information in the Southern Company Supplier System, the following conditions must be met:

1. The requesting Contract Agent must be authorized to make the request.

Requests for adding/changing Supplier information or adding/changing Supplier Site information must be made by an authorized requestor. Requests concerning specific Supplier and Supplier Sites information are subject to the following:

- a. For a Supplier Site addition or change, an authorized Requestor is a Requestor who has been granted a Buyer role for a Maximo Site within the Maximo Org the request is being made for. For example, to request a Supplier Site addition or change for SCS, the requestor

must be a Buyer who has been granted rights to purchase for an SCS site in Maximo (i.e. SCORP or SIT).

- b. A request for a Supplier change that does not affect the Supplier Site record (such as the revision of a Supplier name, TIN, diversity status, etc.) can only be made by an authorized Buyer. To be authorized to make this change, at least one Procurement Site under the Supplier record must be associated to a Maximo Org that contains a Maximo Site that the Buyer has been granted buying rights to.
- c. Limited Option (LPO) Buyers in Maximo may not submit requests for changes to any Supplier information. LPO Buyers should document and send their requests to a Buyer for review and submittal on their behalf.

Note: A request can be submitted by an administrative assistant on behalf of the appropriate Contract Agent, but the responsible Contract Agent must ensure the request was appropriate by confirming the request in accordance with section D, "Confirm Completion of Request."

2. The Supplier addition or change must be necessary.

The Contract Agent (Requestor) is responsible for ensuring a Supplier addition or change is necessary. The Contract Agent should perform the due diligence required to research whether or not the Supplier exists within the SCM Software Applications prior to submitting a request for an addition or change.

3. Use appropriate Supplier addition or change forms.

The Contract Agent should use the appropriate form when submitting a request. The Contract Agent should access forms on the Supply Chain Management tools Web site:

<http://supply-chain.southernco.com/support/tools.html>

D. Confirm Completion of Request

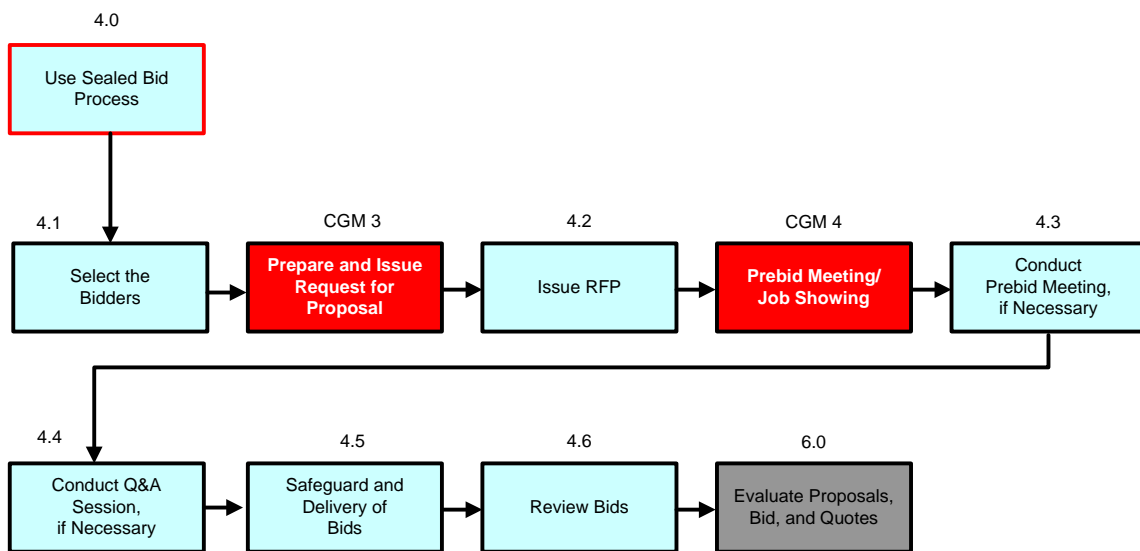
Once a Supplier addition or change is completed, the Supplier Maintenance Team will send a notification to the requesting Contract Agent to inform him or her that the request has been completed. The Contract Agent is responsible for carefully reviewing these notifications to ensure the request was made by them, or that it was appropriately made on their behalf. If a Contract Agent receives a notification in error (i.e., he or she did not make the original request, or it was inappropriately made on their behalf), he or she must notify the Supplier Maintenance Team as soon as possible.

4.0 Use Sealed Bid Process

When competitive bids are required, Southern Company shall use a formal Sealed Bid Process. This ensures all Suppliers are treated equitably, bids are handled confidentially, and Southern Company receives the greatest value for the material or service being offered.

Note: Guidelines for F.3, Prepare and Issue Request for Proposal, and F.4, Prebid Meeting/Job Showing, from the Southern Company [Contract Guidance Manual](#) (Module 6) are included within this step.

Process Flowchart – Use Sealed Bid Process



4.1 Select the Bidders

The Contract Agent reviews the potential Bidders determined during 3.0, Review Sourcing Options, and selects the bidders based on the input from the Requestor, purchase history, and Contract Agent research. **Note:** Only qualified Suppliers will be allowed to bid.

CGM 3 Prepare and Issue Request for Proposal

The Contract Agent should follow the “Prepare and Issue Request for Proposal” guidelines included within Chapter II, F.3 of the [Contract Guidance Manual](#) (Module 6).

4.2 Issue RFP

The Contract Agent should prepare and send an RFP to request proposals, prices, and/or information. (**Note:** The Contract Agent should communicate the acceptable methods for bidders to submit their proposals at the time of issuing the RFP.) RFPs may be issued as follows:

A. Requesting Proposals

Proposals may be requested in several ways. When the Sealed Bid Process is used, however, a formal process is required.

1. Issuing an RFP

An RFP is generally used when the purchase of materials or services is medium to high risk and more complex in design and scope.

a. Using Southern Company Sourcing (Emptoris)

The Contract Agent may use the Southern Company Sourcing (Emptoris) tool, which facilitates the delivery of RFP documents to bidders through the Internet. Bidders may use this tool to download bid documents, submit questions, view Contract Agent-supplied answers, and upload their proposal responses. The tool also prevents access to bid submittals prior to the bid due date and time. **Note:** The Buyer may use the Maximo RFQ tool to initiate an event in Southern Company Sourcing (Emptoris).

b. Using E-mail, Mail, or Fax

The Contract Agent may request proposals via e-mail, mail, or fax, but all submissions from bidders must be received via a Sealed Bid Process.

CGM 4 Prebid Meeting/Job Showing

The Contract Agent should follow the “Prebid Meeting/Job Showing” guidelines included within Chapter II, F.4 of the [Contract Guidance Manual](#) (Module 6).

4.3 Conduct Prebid Meeting, if Necessary

The Contract Agent may facilitate a prebid meeting if necessary to ensure the commercial terms and conditions and/or scope of the purchase/service is clear. If a prebid meeting is held, all bidders are required to attend.

4.4 Conduct Q&A Session, if Necessary

The Contract Agent may facilitate a formal question and answer session to clarify information for potential bidders. All technical and commercial questions submitted by bidders after the request for quote and prior to the bid submission shall be routed to the Contract Agent for response. The Contract Agent shall obtain the appropriate response and provide both the question and response to all bidders. Questions during the bid process are typically not considered confidential and shall be made available to all bidders. In the event the bidder considers a question to be confidential, the Contract Agent may discuss it with the Business Unit and use his or her discretion or consult with SCM Management as required.

4.5 Safeguard and Delivery of Bids

The Supplier submits the sealed bid to the Records Management group, Southern Company Sourcing, or via a sealed bid process. The bids shall be kept sealed until all bids are received or until after the bid due date and time has passed. Use of either the Maximo RFQ tool or Southern Company Sourcing is the recommended method for obtaining quotes, but the Contract Agent may instruct Suppliers to submit their quotes to the Records Management group or other sealed bid process via one or more of the following methods:

- United States Postal Service.
- Overnight Package (FedEx, UPS).
- Hand delivery.
- Fax.
- E-mail.
- Electronic Data Interchange (EDI).

Note: The Contract Agent shall not receive any quotes directly. All quotes should be submitted as a sealed bid from the Supplier to the Records Management group or via the Maximo RFQ tool or Southern Company Sourcing. The Records Management group or Web-based bid management system shall retain the bids in the secured location until the due date and time has passed (or until all bids have been received), and then they will be made available to the Contract Agent.

A. Unresponsive Bidders, Late Bidders, and Bid Extensions

1. Addressing an Unresponsive Supplier

Any Supplier that fails to submit a quote is classified as an unresponsive bidder.

If a Supplier is unresponsive, the Contract Agent should use his or her judgment to determine whether to contact the Supplier. The Contract Agent should consider whether the following conditions exist when determining whether to contact an unresponsive bidder:

- The Supplier is an established Southern Company Supplier who has consistently won bids.
- A previous bid was awarded to the Supplier.
- A bid was awarded to the Supplier within the past year.
- Additional bidding competition is needed.

If the Contract Agent decides to contact the unresponsive Supplier, he or she should document the conditions for the unresponsiveness. To document an unresponsive Supplier, the Contract Agent should add comments to the RFQ in Maximo or Southern Company Sourcing. Any submission made after the due date and time has passed should be handled as a late submittal.

2. Situations Where No Responses are Received

If all Suppliers are unresponsive, the Contract Agent must solicit new bids. The Contract Agent can contact the Requestor, review research sources, or contact other Southern Company sources for information about additional qualified Suppliers.

3. Late Submittals

Any quote or modification to a quote received after the due date is classified as a late submittal. The Contract Agent should reject all late quotes or modifications, except in the following circumstances:

- If the lack of timely receipt is solely because of documented technical issues with the Southern Company Sourcing system, a documented delay in the mail or wire services (situations where an alternative sealed bid method was approved), or to other delivery delays beyond the control of the bidder. In such cases where the delay is a result of delay in mail or wire services, or delays beyond the control of the bidder, the package must

be clearly postmarked or otherwise date-stamped by the delivery service prior to the bid due date.

- If the late document is a formal confirmation of an e-mail accepted prior to the closing date (provided no price change exists).
- If the late document is a quote from a Sole Source Supplier.

Note: Acceptance of a late submittal or bid requires the approval of SCM Management.

a. Additional Factors to Consider for Late Submittals

Circumstances other than those listed above may arise that warrant the acceptance of a late quote. In such cases, the Contract Agent must obtain SCM Management approval and ensure such acceptance will not jeopardize the integrity of the procurement action or create unfair advantage to any bidder.

Factors to consider are:

- The reasonableness of the due date.
- The cause of the delay.
- The number of quotes received relative to the number requested.
- Market and commodity conditions.

4. Extensions of Due Dates

Extensions of quote due dates should be granted uniformly to all Suppliers and confirmed in writing.

Personnel charged with receiving sealed bids should be notified in writing of any due date extensions.

Business Unit and/or SCM Management approval is required prior to extending a due date.

4.6 Review Bids

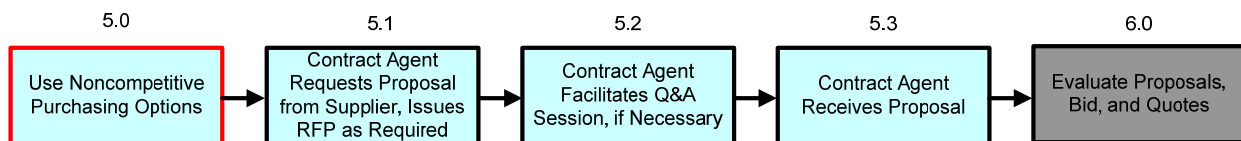
When the Contract Agent receives the bids, the review process will begin. All bid information is Confidential and should be handled accordingly by the Contract Agent. The Contract Agent will open and review the bids and prepare to evaluate them (see 6.0, Evaluate Proposals, Bids, and Quotes).

5.0 Use Noncompetitive Purchasing Options

When the purchase meets certain criteria, a noncompetitive purchasing option can be used. Except for certain situations, these transactions are generally low risk and low cost and can be handled much more efficiently using this method. However, these transactions should be documented as carefully as the competitive bidding transactions to facilitate effective tracking and management. In these situations, the Contract Agent should only be communicating with a single Supplier and the Sealed Bid Process would not be necessary.

All requirements for completion of a sole source justification or other documentation as required should be supplied by the Business Unit with the appropriate approvals confirmed prior to the Contract Agent initiating a noncompetitive purchase.

Process Flowchart – Use Noncompetitive Purchasing Options



5.1 Contract Agent Requests Proposal from Supplier, Issues RFP as Required

The Contract Agent should request a proposal from the Supplier in accordance with the Business Unit's Requisition and associated technical specifications. If necessary, the Contract Agent should prepare and issue an RFP to formalize the proposal request process.

5.2 Contract Agent Facilitates Q&A Session, if Necessary

The Contract Agent may facilitate a question and answer session with the Supplier if necessary to ensure the commercial terms and conditions and/or scope of the purchase are clear.

5.3 Contract Agent Receives Proposal

The Contract Agent will then receive the proposal (see 6.0, Evaluate Proposals, Bids, and Quotes).

CGM5 Proposal Receipt and Evaluation

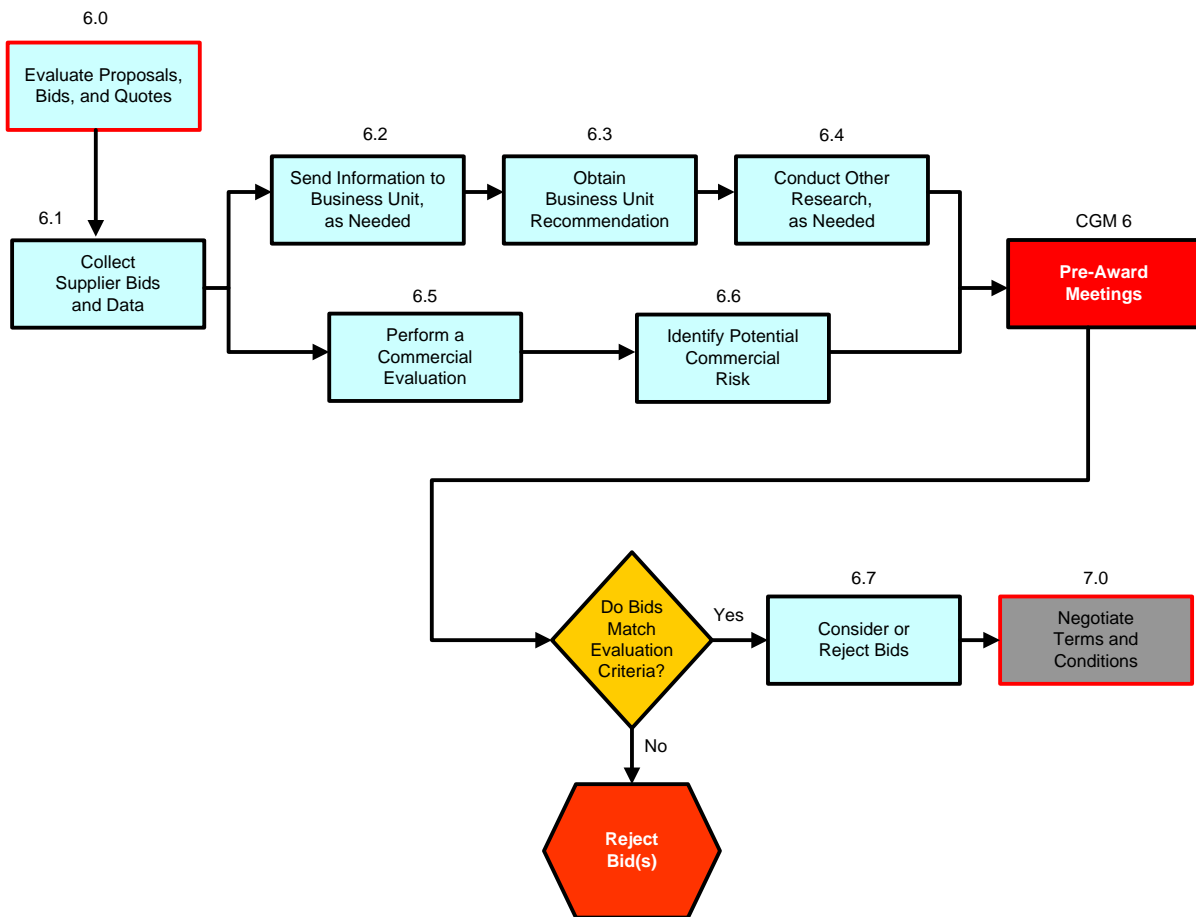
The Contract Agent should follow the “Proposal Receipt and Evaluation” guidelines included within Chapter II, F.5 of the [Contract Guidance Manual](#) (Module 6).

6.0 Evaluate Proposals, Bids, and Quotes

The evaluation of bids should be conducted carefully and fairly using a formal process. During the evaluation of the bids, the technical and functional specifications should be compared by the Business Unit. The commercial expectations should be compared by SCM to determine if it is a valid bid. The intent of this evaluation stage is to determine if the bidder’s submission meets the requirements of the RFP process. In noncompetitive bid situations, the Buyer should follow the process flow as necessary.

Note: Guideline F.6, “Pre-Award Meetings,” from the Contract Guidance Manual (Module 6) is included within this step.

Process Flow Map – Evaluate Proposals, Bids, and Quotes



6.1 Collect Supplier Bids and Data

The Contract Agent collects all the bids and any other data available (technical drawings, information, and so on), and compiles into a bid tabulation sheet as necessary.

6.2 Send Information to Business Unit, as Needed

In some situations, the Contract Agent may send a copy of the bids to the Business Unit to get its input. The Contract Agent should communicate to the Business Unit that all bid information is Confidential and should be handled appropriately.

6.3 Obtain Business Unit Recommendation

When bid information is sent to the Business Unit for review, the Business Unit should provide a response on which bidders meet the technical requirements of the RFP and which bidder is recommended for award based on a technical evaluation of the submissions.

6.4 Conduct Other Research, as Needed

After Business Unit reviews the bids, the Contract Agent may conduct other research, as necessary, to clarify or verify bid information.

6.5 Perform a Commercial Evaluation

The Contract Agent, using the bid information and input from the Business Unit as needed, conducts a commercial evaluation of the bid. This may be informal or formal.

The commercial evaluation will depend on the type of materials or services being offered. **The Contract Agent's experience and knowledge are critical in the evaluation process. The Contract Agent should seek guidance from SCM Management as needed.**

A commercial evaluation should focus on the commercial aspects of the Bidder's submitted bid and any new information that may have been discovered after the RFP was issued. For example, the bidder may have taken exceptions to the commercial requirements that will need to be evaluated by the Contract Agent. Also, there may be concerns over the validity of the bidder's schedule and their capability to fulfill the request. Other issues may exist as well, such as a bidder proposal that is inconsistent with the Contract Agent's expectations. This evaluation is largely discretionary and requires that the Contract Agent review the materials and services to be provided and how the bidder proposes to satisfy the requests in the time frame requested. In these situations, the Contract Agent should identify any potential inconsistencies or areas of concern and work with the Business Unit to determine how to proceed. If the Contract Agent has become aware of new information concerning any commercial aspects of the bidder, the Contract Agent should investigate thoroughly to ensure no potential issues exist that should prevent proceeding with evaluating the bidder.

For concerns about the bidder's ability to meet the requirements of the RFP or the contents of its bid, the Contract Agent may request additional information from the bidder or obtain assurances in the form of guarantees or warranties.

Note: The commercial evaluation differs from the technical evaluation. When required, the Business Unit would perform a technical evaluation to ensure the bidder can meet the technical requirements of the RFP (see 6.2 and 6.3).

6.6 Identify Potential Commercial Risk

During the evaluation, the Contract Agent may identify commercial risk factors that could potentially place Southern Company in an undesirable position of risk or liability. It is incumbent upon the Contract Agent to identify these factors and mitigate as needed. The Contract Agent may consult the Legal group, Accounting Research group, and/or Risk Management group.

CGM6 Pre-Award Meetings

The Contract Agent should follow the "Pre-Award Meetings" guidelines included within Chapter II, F.6 of the [Contract Guidance Manual](#) (Module 6).

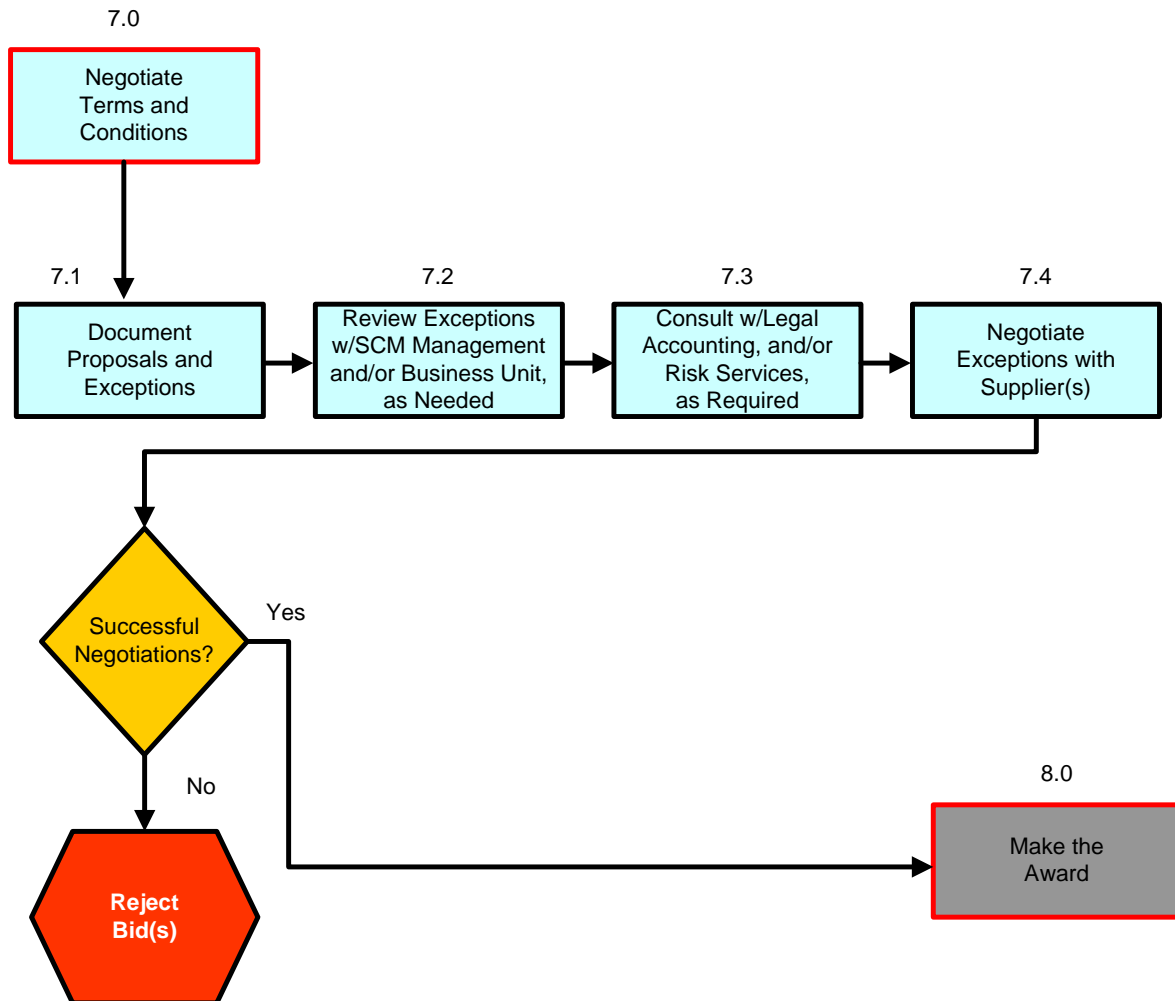
6.7 Consider or Reject Bids

After the commercial and technical evaluations are complete, the Contract Agent will work with the Business Unit, as needed, to determine which bids to consider or reject. If the commercial and/or technical aspects of any of the bid submissions do not meet the requirements of the RFP, the Contract Agent should consider rejecting the bid(s). The Contract Agent should notify the Business Unit prior to rejecting any bids. The Contract Agent should consult with SCM Management as needed. The Contract Agent should document the reason why any bids are rejected and the documentation should be included in supporting documentation. The Contract Agent may negotiate certain nonprice aspects of the bids being considered, such as freight or delivery, as well as other Contract terms and conditions, in 7.0, Negotiate Terms and Conditions, of this process.

7.0 Negotiate Terms and Conditions

Negotiations for terms and conditions should not include negotiation of price without management approval. In noncompetitive bid situations, the Buyer should follow the process flow as necessary.

Process Flowchart – Negotiate Terms and Conditions



7.1 Document Proposals and Exceptions

All bids resulting from the previous stage of this process (6.0, Evaluate Proposals, Bids, and Quotes) will ultimately be awarded based on the best overall value by determining the lowest evaluated bid. This allows any identified commercial or technical issues to be factored into the final evaluation. For the bids being considered, the Contract Agent will need to document any exceptions and determine if negotiations will be necessary.

7.2 Review Exceptions with SCM Management and/or Business Unit, as Needed

The Contract Agent may need to review the exceptions and/or any remaining commercial and/or technical issues with SCM Management and/or the Business Unit prior to initiating the negotiations to determine an acceptable resolution for each. Any negotiations with bidders must be coordinated through the Contract Agent.

7.3 Consult with Legal, Accounting, and/or Risk Management, as Required

If legal, accounting, and/or risk management issues are identified or if the associated review(s) will be required under the Contract Guidance Manual, the Contract Agent will consult with the appropriate departments or resources. The Contract Agent should use his or her discretion and consult SCM Management, as required, prior to obtaining any assistance from the above.

7.4 Negotiate Exceptions with Bidder(s)

The Contract Agent will coordinate the negotiation and resolution of both technical and commercial exceptions. This may involve Business Unit management as well as SCM Management input. The Contract Agent may also include Legal, Accounting, and/or Risk Management as necessary in the negotiations process.

As a general rule, negotiations/discussions may take place with the lowest evaluated bidder to address differences in terms and conditions, extraordinary pricing gaps, technical issues, and value-added options. The Contract Agent should note that no negotiations concerning pricing should be entered into without prior approval by SCM Management.

In some situations, it may be determined that negotiations are necessary with more than one bidder to yield the most favorable results. Under these circumstances, the Contract Agent must not create a situation that gives an unfair advantage to any bidder. The Contract Agent should manage and document all correspondence with the bidders during negotiations.

Upon completion of negotiations, the Contract Agent should have reached initial agreement on the terms and conditions with a bidder. If the Contract Agent is unsuccessful in reaching an

agreement with a bidder, then all bids may be rejected. In situations where awards to more than one bidder are required, the Contract Agent should document accordingly.

CGM7 Contract Preparation, Award, and Approval

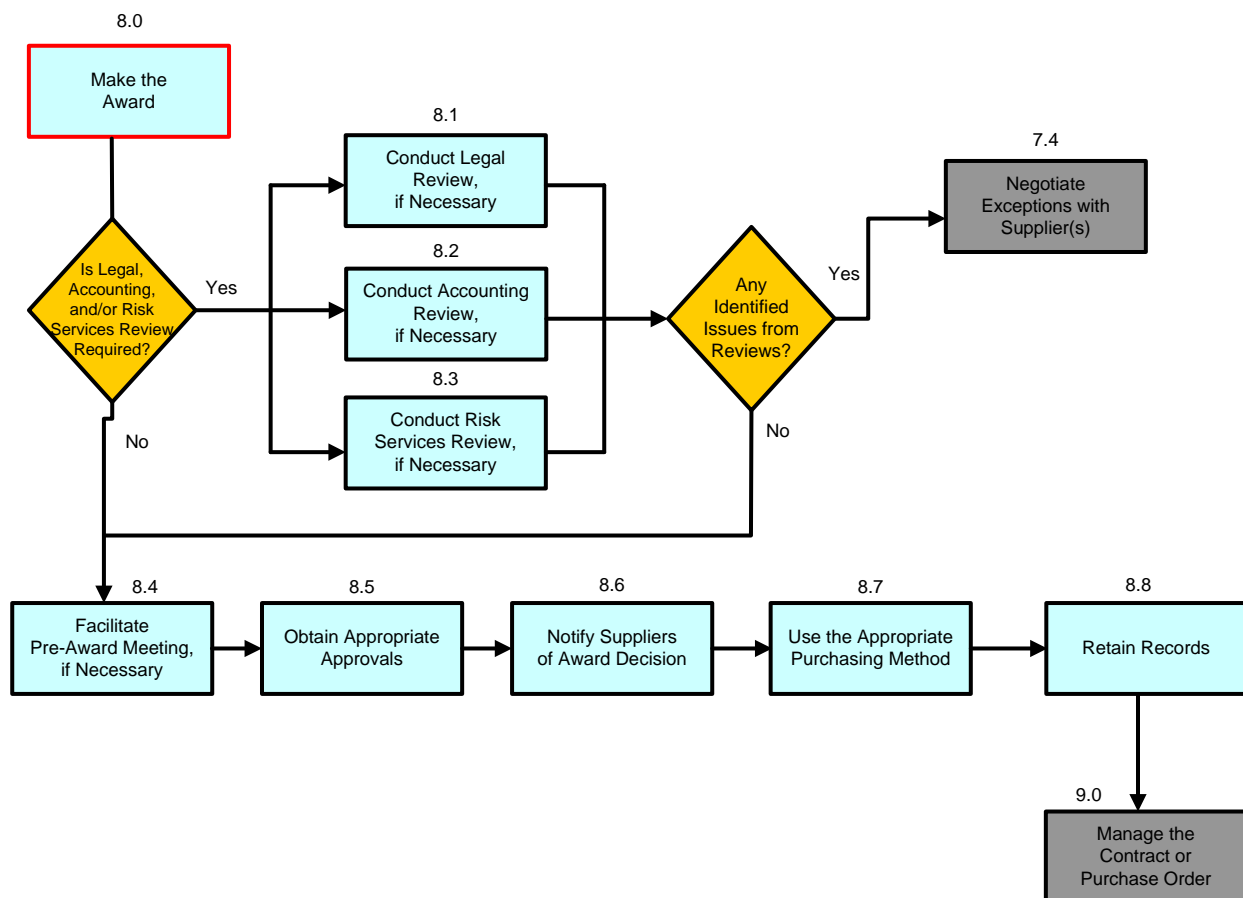
The Contract Agent should follow the “Contract Preparation, Award, and Approval” guidelines included within Chapter II, F.7 of the [Contract Guidance Manual](#) (Module 6).

8.0 Make the Award

Awards are generally based on the lowest evaluated bid. The Contract Agent uses the results of the evaluations and negotiations and his/her experience to make the award recommendation to the Business Unit. Prior to an award, Southern Company may conduct a Legal, Accounting, and/or Risk Management review if necessary. This ensures the following:

- The purchase will be properly recorded for accounting purposes.
- The purchase is being made in accordance with Southern Company standards.
- Southern Company is complying with the latest accounting and legal laws and regulations.
- The appropriate risk mitigation has been enacted.

Process Flowchart – Make the Award



8.1, 8.2, and 8.3 Conduct a Legal, Accounting, or Risk Management Review, if Necessary

If a Legal, Accounting, and/or Risk Management review is necessary, the Contract Agent will facilitate the review. If any issues are identified within these review processes, the Contract Agent must return to the negotiations stage prior to proceeding with the award.

8.4 Facilitate Pre-Award Meeting, if Necessary

In some situations, a pre-award meeting may be necessary to discuss performance expectations, compliance issues, or any other anticipated issues as well as to clarify the parties' understanding regarding the scope of work and Supplier's quote, and any other details that should be clarified prior to the award.

8.5 Obtain Appropriate Approvals

Awards are generally based on the lowest evaluated bid. If the Business Unit selects a Supplier other than the low bidder, the decision will require Business Unit Management approval as well as the appropriate justification documented within the records file. The Buyer should involve SCM Management when deemed appropriate. The award recommendation should be approved by Business Unit Management prior to notification of bidders, except for Priority 1 and 2 Requisitions, which may be reviewed and approved after issue. Contract approvals are defined in the Contract Guidance Manual for each Affiliate.

8.6 Notify Suppliers of Award Decision

In competitive bid situations, the Contract Agent should notify bidders of the award decision in accordance with the following:

A. Notification of the Successful Bidder

Formal notification is sent to all bidders informing them of the successful bidder in the following circumstances:

- For all purchases more than \$100,000.
- In other situations as the Contract Agent deems appropriate.

B. Notifying Unsuccessful Bidders

In certain circumstances, the Contract Agent may notify unsuccessful bidders. The Contract Agent should never disclose the dollar value of an award, but may indicate to unsuccessful bidders where they ranked in the bid evaluation:

- First place, second place, etc.

- Not competitive.

8.7 Use the Appropriate Purchasing Method

In most instances, the Contract Agent will issue a PO or Release to authorize the Supplier and complete the award. For situations where alternatives to a PO are required, the Contract Agent may use the Southern Company Procurement and Payment Guidelines to determine the appropriate purchasing method (**Note: All purchases including services shall be made in accordance with the Contract Guidance Manual**). When a PO or Release is issued for services, the Contract Agent shall adhere to the following:

A. POs or Releases for Services

All “service”-type lines on POs or Releases shall be setup for a two-way match invoice approval process. To setup a line for this process, the Contract Agent must ensure the “Receipt Required?” checkbox is not checked. This box is located in the line item region of the line on the PR Lines tab of the PO.

8.8 Retain Records

Records should be carefully maintained over the course of the procurement process. Within 30 days of issuing the PO/Release, the Contract Agent will file all required SCM documentation in accordance with Affiliate-specific procedures or scan and upload into Documentum via Maximo. This includes RFPs and any other supporting documentation.

Contract Agents shall complete the Documentation Checklist to ensure the appropriate documentation is retained.

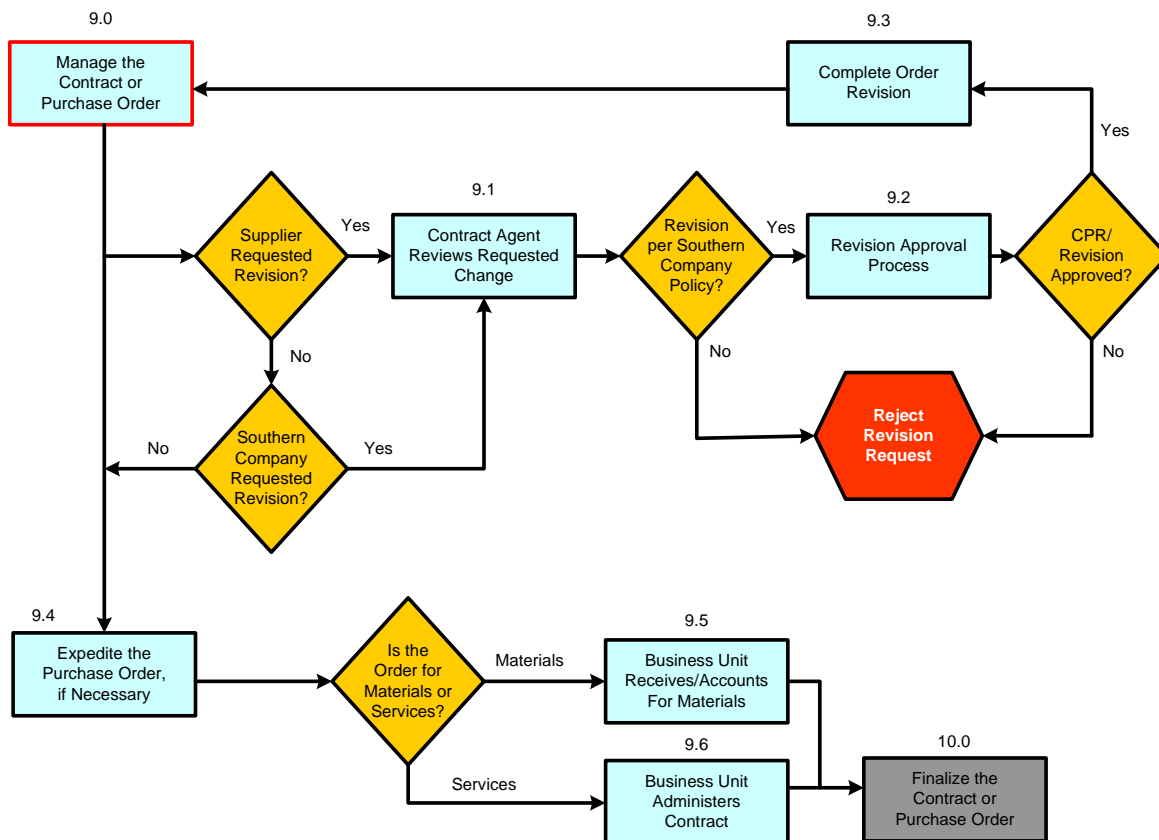
To comply with Small Business Association (SBA) requirements for small business concerns documentation, an Award Summary must be completed within Maximo for POs, Releases against Convenience Contracts, and Maximo Contracts issued with a value greater than \$150,000.

9.0 Manage the Contract or Purchase Order

After the PO and/or Contract has been awarded, the Contract Agent may use the Revision process to make changes to the documents as needs change or circumstances dictate

The Business Unit is responsible for Contract Administration and Supplier Compliance after the PO has been issued. The Contract Agent will support the Business Unit in contract administration as necessary

Process Flowchart – Manage the Contract or Purchase Order



9.1 Contract Agent Reviews Requested Change

Revisions are used to modify existing POs in Maximo. They are generally prepared to change technical specifications but may also affect commercial aspects of the PO, such as additions and modifications to commodities, descriptions, quantities, comments, and so on. Prior to performing a Revision, the Contract Agent should review any change and determine if an Amendment to the Contract would be required. The Contract Agent shall ensure the necessary changes to the Contract are made, up to and including all required Amendments to the contract, prior to a revision being made in Maximo.

Revision requests may be initiated either by the originating department or SCM. In the event a PO has not yet been issued, the request for Revision may be used to modify a Requisition.

The Revision process ensures changes are tracked and documented in the PO History tab and any changes to PO lines or values are reviewed and approved before the purchase is made. The Contract Agent shall ensure all required Contract Amendments are assembled, executed, and documented within Maximo and Docuementum.

9.2 Revision Approval Process

A. Processing a Revision

After a PO has been approved and sent to the Supplier, no changes can be made to the record as long as it remains in approved (APPR) status. The only way to change the record is to make a formal Revision of the PO in Maximo. If the Revision will not affect the value of the PO in any way, the Contract Agent creates the Revision and makes the appropriate changes. After changes are complete, the Contract Agent saves and routes the PO for approval again and sends changes to the Supplier as required. Maximo, in turn, updates the PO record, increases the Revision number, and records the changes on the PO History tab.

B. Processing a CPR

If the change affects dollar amounts or values, then the Revision must be made in coordination with a Change Purchase Requisition (CPR). A CPR has to be created and approved by the requestor prior to the Revision.

The Contract Agent then copies the new or changed CPR Lines to the PO as part of the Revision process described above.

C. Converting the CPR to a Revision

Requestors may request changes to line items or the entire document. Requestors initiate the CPR within Maximo or via e-mail to the Contract Agent. In most cases, the

requestor will be responsible for initiating the CPR in Maximo. If the Contract Agent initiates the CPR on behalf of the requestor, then the Contract Agent should route the CPR to the requestor's workflow for approval.

After the Contract Agent receives the approved CPR from the Business Unit, the Contract Agent reviews the details and then, after any additional approval, converts the CPR into a Revision.

To process a Revision, the Contract Agent:

- Reviews the CPR to determine the type of change needed.
- May compare the CPR to the original PO.
- May modify basic information for a Revision to:
 - Add new items to the PO.
 - Delete items from the PO.
 - Revise PO information.

9.3 Order Revision Completed

After the Revised PO is approved, the PO is sent to Oracle for recordkeeping. Historical information about the -1 Revision is kept on the PO and is visible on the History tab of the PO application.

9.4 Expedite the Purchase Order, if Necessary

Expediting is performed on a large percentage of all orders placed by SCM. Expediting is generally performed on Priority 1 and 2 orders, on all unexpected emergencies, and on major equipment orders. Unexpected emergency situations are identified by telephone or written memos from the Business Unit or Contract Agent. Major equipment orders are identified by direct notification from SCM. The Contract Agent should use his or her discretion on expediting select Priority 3 or 4 orders.

Contract Agents should notify Suppliers when materials or services require expediting. The Contract Administrator and/or the Contract Agent is responsible for notifying the Site of any changes in shipping schedules that affect delivery and to update the Maximo system with correct shipping information.

If special shipping arrangements are required to meet delivery dates, the Contract Agent will coordinate all special instructions to both the Supplier and the user department.

All pertinent information should be documented by the Contract Administrator and/or the Contract Agent in the internal comments section of the PO.

9.5 Business Unit Receives and Accounts for Materials

On orders where a receipt is required, the Business Unit will be required to document the receipt of material and/or services provided under the PO/Release within Maximo. If a receipt is not required, the Business Unit will approve invoices via a two-way match process in Oracle. The Business Unit is responsible for retaining all required supporting documentation for this process.

9.6 Business Unit Administers Contract

On orders for services, the PO or Release should be issued as a two-way match. This requires the Contract Agent to ensure the "Receipt Required?" checkbox is not checked on the PO prior to issuance in Maximo.

CGM8 Performance of Work

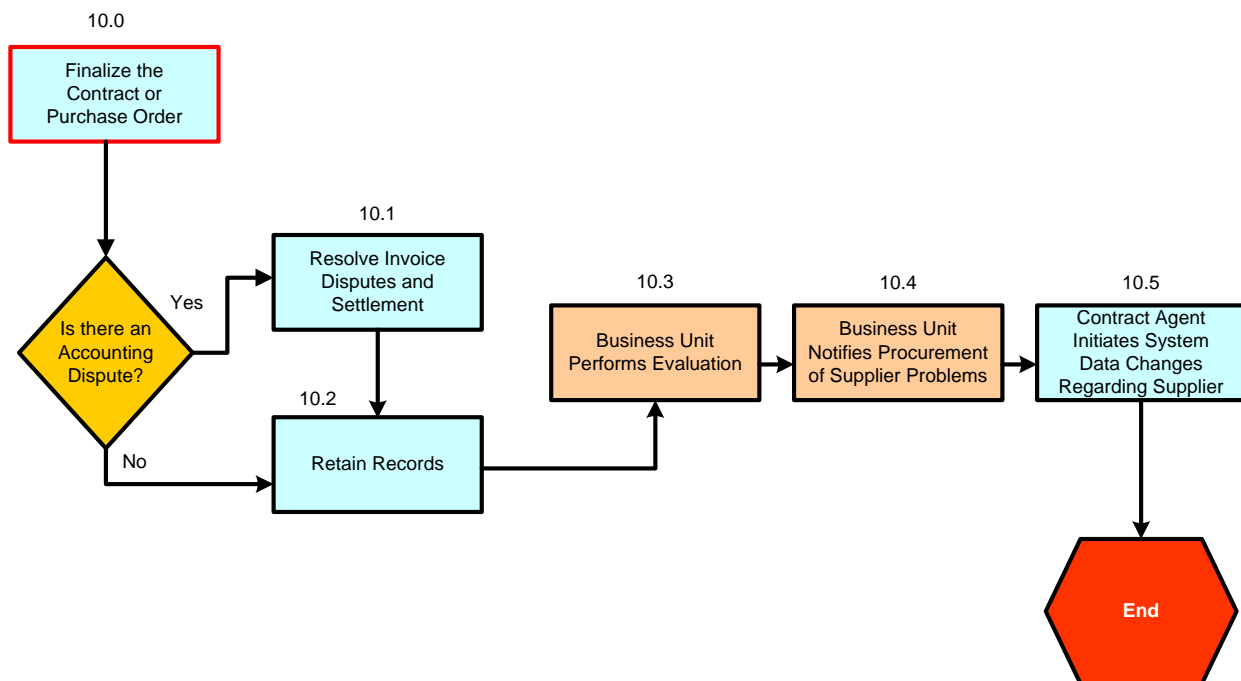
The Contract Agent should follow the “Performance of Work” guidelines included within Chapter II, F.8 of the [Contract Guidance Manual](#) (Module 6).

10.0 Finalize the Contract or Purchase Order

The Contract Agent, Accounting department, and the Business Unit must work together to ensure the POs are finalized in Southern Company information systems. A PO is considered complete when:

- All materials have been received in good order or services have been performed to specifications.
- Payment has been made for the goods or materials.
- Cost savings/cost avoidances have been documented, as applicable.

Process Flowchart – Finalize the Contract or Purchase Order



10.1 Resolve Invoice Disputes and Settlement

The Contract Agent may be required to facilitate the resolution to accounting disputes. Accounting, SCM, and the Business Unit should become involved in the process as necessary.

10.2 Retain Records

Records should be carefully maintained through the completion of an order. The Contract Agent is responsible for ensuring all required SCM documentation is filed in accordance with Affiliate-specific procedures or scanned and uploaded into Maximo. This includes any changes or revisions and any other supporting documentation over the life of the order.

10.3 Business Unit Performs Evaluation

The Business Unit has the ability to provide and complete performance evaluations documenting Supplier performance at the completion of the order in Maximo.

10.4 Business Unit Notifies Procurement of Supplier Problems

The Business Unit should notify the Contract Agent immediately if any issues or problems arise with a Supplier.

10.5 Contract Agent Initiates System Data Changes Regarding Supplier

If the Contract Agent identifies any required changes to the Supplier data through the completion of the order, the Contract Agent should work with the Supplier Maintenance Team to have the Supplier record changed within the Southern Company Supplier System.

SUPPLY CHAIN MANAGEMENT

Procurement Policies & Procedures

Module 1: General Policies and Guidelines

Revision 1

February 2011



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Revision History

Date	Version	Details
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Module 1: General Policies and Guidelines

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Overview

A. Purpose

This module and those following set forth the policies, guidelines, and procedures to be followed by Supply Chain Management (SCM) while recognizing the independent authority of each Affiliate's Corporate Policy.

B. Scope

Module 1 addresses the general policies and guidelines for procurement of goods and/or services. All SCM Buyers shall follow these modules for consistency. Any exceptions will be based solely on requirements originating from state law; public service commission rules, regulations, and requirements; or SCM Management decisions.

C. Objectives

The objectives of the SCM Organization are to:

- Procure materials, equipment, and services of suitable quality, proper quantity, best overall value, and at the time required by Southern Company (i.e., to properly manage the use of Southern Company funds in every respect).
- Select Suppliers through an evaluation of price, quality, service, productivity, availability, and administrative costs and to place orders in a manner which balances these factors.
- Expedite the delivery of materials and/or services to meet the need of each individual Purchase Order (PO) and/or Contract.
- Coordinate with other departments, system operating companies, and Southern Company Services for the development and/or improvement of materials, and for the standardization of frequently used materials.
- Develop and maintain reliable, competitive sources of supply.
- Collect information pertaining to innovative ideas and new products which may be used throughout Southern Company and to distribute this information to other departments.
- Mitigate risk to Southern Company.

D. Organization of Policies and Procedures

These procedures consist of the following modules and appendices:

- Module 1: General Policies and Guidelines.
- Module 2: Standard Purchasing Procedures.
- Module 3: Procedures for Contract Purchases.
- Module 4: *(Placeholder)*.

- Module 5: Records Management.
- Module 6: Contract Guidance Manual.
- Module 7: *(Placeholder)*.
- Module 8: *(Placeholder)*.
- Module 9: *(Placeholder)*.
- Module 10: *(Placeholder)*.
- Appendix A: Glossary.

Module 1 consists of an overview and the following sections:

- Section 1 – Supply Chain Management General Policies.
- Section 2 – General Guidelines.

See Appendix A, Glossary, for definition of key terms used in the SCM Policies and Procedures.

E. SCM Software Applications

Southern Company's SCM Organization uses the following software applications to complete the procurement process:

1. Southern Company's Supplier System (Browz)

Southern Company's Supplier System is the platform where Supplier information is maintained for Southern Company. This tool is powered by a software solution provided by Browz.

a. Other Services Provided by Browz

In addition to the Supplier registration process, Browz also offers contractor credentialing and contract worker verification services.

2. Southern Company Sourcing (Emptoris)

Southern Company Sourcing is the eCommerce tool used to host online events for sourcing and manage Contract templates and negotiations. This tool is powered by a software solution provided by Emptoris. Southern Company Sourcing has two modules:

a. Enterprise Contract Management

Enterprise Contract Management (ECM) is a tool to store Contract templates, create Contract instances, modify Contract language, update Contract terms, present Contracts to Suppliers for negotiations, and execute finalized Contracts.

b. Sourcing Portfolio

Sourcing Portfolio (SP) is a tool to facilitate the conduct of a dynamic Web-based Sealed Bid Process including Requests for Information

(RFIs), proposals, and quotes. SP also provides the Buyer with the capability to perform a bid analysis within the tool.

3. Maximo

The Maximo component of Enterprise Solutions is comprised of both the Supply Chain functions and Maximo Work Management functions. Within the Maximo Supply Chain functions, the Buyer will have the ability to issue RFQs, POs/Releases, and Maximo Contracts as follows:

a. Maximo RFQ

Maximo RFQ is an application that allows the Buyer to create and store RFQs and RFIs. The Maximo RFQ tool is fully integrated with the Southern Company Sourcing (Emptoris) application and can be used to associate eCommerce activities with POs, Releases, and/or Maximo Contracts in Maximo.

b. Maximo PO/Release

The Maximo PO application generates POs issued by the Buyer to procure items, materials, services, standard services, and/or tools from within Maximo. A Maximo Release is a PO that is issued and associated with a Purchase Contract within Maximo.

c. Maximo Contracts

There are three types of Maximo Contracts:

i. Master Contract

The Master Contract application is used to establish overall terms and conditions which have been accepted by a Supplier. These terms and conditions can then be easily applied to related Contracts generated from the Master Contract.

The Master Contract application is used to associate many types of Contracts for the same Supplier. A Master Contract defines the relationship with a Supplier that applies to the Contracts associated with it. The application also provides detailed information about Contract terms and Supplier contact information.

ii. Purchase Contract

The Purchase Contracts application is used to create, view, and modify Purchase Contracts with outside Suppliers. A Purchase Contract is typically used for recurring purchases and situations where a Contract exists between Southern Company and a Supplier. The following types of Purchase Contracts can be created:

- **Blanket Type** – Typically used for high volume or recurring purchases and can contain a pre-determined amount to spend over time. These Contracts can have specific lines

(or not) and are typically used for services that have many statements or authorizations. Contracts that Southern Company formerly called “unpriced blankets” will be Blanket Contracts in Maximo. Contracts that Southern Company formerly called “priced blankets” can also be established as Blanket Contracts in Maximo.

- Price Type – Generally used for materials. This Contract type defines accepted prices (i.e., the replenishment process will use Price Contracts). Price Contracts permit the creation of one or many standard POs.
- Purchase Type – Typically used for one time turnkey projects where a Contract exists. Purchase Type Contracts permit the creation of one or many standard POs.

iii. Labor Rate Contract

The Labor Rate Contract application is used to track labor and labor costs when necessary. The Labor Rate Contract application is not intended to fulfill traditional time and material requests but is designed for situations where labor and labor costs tracking is essential (such as Contracts billed and paid through the “CAMP” program, Teams Contracts, “Core Group” on-site Contractors, and Labor Broker arrangements). The Labor Rate Contract allows for definition of labor rates for crafts, skills, and, optionally, labor records and facilitates the management of each.

4. Documentum

Documentum is the standard tool used across Southern Company to house SCM records and associated documentation (such as RFP documentation, Contracts, master service agreements, POs, Contractor compliance background forms (CCBF), safety questionnaires, and so on). Documentum is a secure document management system that offers version control, security, access control to files, Web access to files, and improved organization and search capabilities.

F. Buyer Training

It is the joint responsibility of SCM and the individual to ensure that each person is adequately trained to perform his or her job. If individuals believe they need additional training, they should advise their managers or supervisors.

Company Buyers and Analysts are responsible for being “students of the business” and encouraged to seek professional certifications as available and appropriate for the Buyer’s or Analyst’s role in the organization. Buyers and Analysts are encouraged to discuss obtaining such certification(s) with their managers as part of their individual development plans.

Section 1 – Supply Chain Management General Policies

A. Buyer Conduct Policies

Employees of Southern Company shall comply with all Southern Company compliance and ethical responsibilities and conduct themselves in accordance with “Southern Style.” In addition, employees of the SCM Organization, by virtue of their job responsibilities, have special responsibilities in accordance with the SCM Code of Conduct. The SCM Code of Conduct can be viewed online at:

<http://supply-chain.southernco.com/docs/compliance/SCMCodeOfConduct.doc>

1. Compliance and Ethical Responsibilities

Both Suppliers and Southern Company employees have the responsibility to comply with Southern Company rules, the law, and applicable regulations and shall conduct themselves in accordance with the Southern Company Code of Ethics. The Southern Company Code of Ethics can be viewed online at:

http://compliance.southernco.com/coe_dim/ethics.html

2. “Southern Style”

As representatives of Southern Company, each SCM employee is expected to adhere to Southern Style, or Southern Company’s culture and way of doing business. The Southern Style tenets can be viewed online at:

http://corpcomm.southernco.com/gpc/general_07/Southernstyle08/pdf/southern_style.pdf?02_video.html

B. Supplier Policies

Southern Company policies and guidelines concerning Suppliers are as follows:

1. Supplier Philosophy

Southern Company is committed to maintaining the highest ethical standards in all business practices, including its relationships with Suppliers. Specifically, Southern Company’s SCM Organization pledges to perform in accordance with the Southern Company Supplier Philosophy. The Supplier Philosophy can be viewed online at:

<http://supply-chain.southernco.com/docs/compliance/SupplierPhilosophy.doc>

a. Southern Company Small and Diverse Business Policy

As part of its Supplier Philosophy, Southern Company is committed to establishing and developing mutually beneficial business relationships for the procurement of materials and services from small and diverse businesses. To support this philosophy, all Buyers shall comply with the

Southern Company Small and Diverse Business Policy. The policy can be viewed online at:

<http://compliance.southernco.com/policies/soco/Corporate-Policies/Small-And-Diverse-Business.doc>

2. Doing Business with Southern Company

To do business with Southern Company, all Suppliers at a minimum must:

- Commercially qualify.
- Conduct business transactions according to the highest ethical standards.
- Comply with all applicable local, state, and federal laws.
- Demonstrate on-time deliveries, low pricing, and high quality work or services.
- Foster a relationship of mutual trust.
- Be technically qualified as determined by the Business Unit.
- Meet all Occupational Safety and Health Administration (OSHA) requirements.

3. Southern Company Compliance Principles

As part of the Supplier Registration process, Suppliers are directed to review the Southern Company Compliance Principles prior to registering or seeking to perform work with Southern Company. Any Supplier that performs work for Southern Company through SCM is expected to adhere to these Compliance Principles. Buyers should direct Suppliers to the Southern Company Web site if a Supplier is unaware of these principles. The Compliance Principles should be incorporated into Supplier Contracts as appropriate. The principles can be viewed online at:

<http://www.southerncompany.com/suppliers/policies.aspx>

C. Bidding Policy

It is SCM policy to obtain competitive bids for all purchases whenever possible. Exceptions to this policy are defined within Modules 2 and 3.

D. Purchase Order and Contract Approval Policies

Obtaining the appropriate approval to spend will be the responsibility of the Business Unit. POs will be issued and approved in accordance with the guidelines established under Section 2 of this module. Contracts will be approved and executed in accordance with the Procedures for Contract Purchases (Module 3) and the Contract Guidance Manual (Module 6).

Section 2 – General Guidelines

A. Business Unit Request Guidelines

Business Unit requests arrive in the form of requests with an authorization to spend or requests without an authorization to spend. The guidelines for each are identified below:

1. Requests with an Authorization to Spend

Requests for goods, services, or any other expenditures require an approved authorization to spend. The Business Unit is responsible for submitting an approved request to SCM. In most instances, this approved request will come in the form of a Requisition. Valid requests will include a requestor and an approver. The approver must be someone other than the requestor and have an approval authority that equals or exceeds the value of the request.

2. Requests without an Authorization to Spend

Requests for Convenience Contracts and/or Strategic Sourcing Agreements where no work or dollars are being obligated as part of the Contract/Agreement do not require an authorization to spend. In these situations, the Buyer is required to obtain a written request from the Business Unit or written SCM management approval prior to proceeding with establishing these Contracts/Agreements. The Buyer will need to work with the Business Unit(s) to determine the estimated value of the Contract over the life of the Contract. The Buyer should use this estimated value to determine the appropriate level of Contract execution that will be required.

B. Supplier Guidelines

Before a Supplier is available for use in the SCM Software Applications, it must meet the minimum requirements of Southern Company so that material and service needs are met safely, economically, and ethically. These minimum requirements are evaluated through a verification process. The SCM Supplier Guidelines explain the registration, verification, and qualification processes required for new or potential Suppliers and present expectations for Supplier performance. The procedures for adding and changing Supplier information in the Southern Company Supplier System are discussed in section 3.5 of Module 2 and section 3.4 of Module 3.

Note: All Buyers should note that there are specific operating company requirements that must be adhered to when determining Suppliers in certain circumstances. These specific operating company requirements are defined in section 3.3 of Module 2 and section 3.2 of Module 3.

1. Supplier Registration

Suppliers that are not included in Southern Company's Supplier System may register electronically for consideration as a new Supplier at:

<http://www.southerncompany.com/suppliers/register.aspx>.

This database of potential Suppliers is accessible by Buyers. Any Supplier can register, but Southern Company reserves the right to verify and do business with

only those Suppliers who meet the company's minimum commercial and technical requirements. A Buyer may identify a potential Supplier from this database and submit a request for them to be verified using the process below.

2. Supplier Verification and Qualification

The Buyer is responsible for identifying Suppliers that must complete the verification process to be fully established for business within the Southern Company Supplier System. A Supplier must be verified before a bid invitation or PO can be issued. The Buyer may identify desired Suppliers directly by communications or indirectly by referrals. Depending on the risk associated with the materials and/or services to be supplied, Suppliers may be subject to additional qualifications in the form of more targeted forms of technical, commercial, or safety reviews.

a. Verification

The verification process evaluates potential Suppliers to determine if they meet the minimum requirements for inclusion in the Southern Company Supplier System. Any exceptions to the minimum requirements must be approved by SCM Management and documented in the Supplier record. To begin the verification process, the Buyer must collect company-specific information from the Supplier and submit all appropriate forms to the Supplier Maintenance Team. After a Buyer submits a request for a Supplier to be added to the Southern Company Supplier System, the Supplier Maintenance Team is responsible for performing the required evaluations of the verification process. The process includes the review of the forms collected and provided by the Buyer and also:

1. Determines the Supplier's tax identification number.
2. Confirms that the Supplier is not included on the list of prohibited business partners as maintained by the U.S. Department of the Treasury's Office of Foreign Assets and Control (OFAC).
3. Determines the Supplier's diversity status.

After the verification process has been completed and a Supplier has been determined to meet all minimum requirements, it will be available for use in the SCM Software Applications. The Buyer is responsible for ensuring that any additional qualifications or requirements are met prior to invitation to a bid or issuance of a PO.

b. Additional Qualifications

Depending on the risk associated with the supplied materials or services, the Supplier may be subject to more targeted forms of technical, commercial, or safety reviews to complete the qualification process. It is at the discretion of the Buyer and/or the Business Unit to determine the appropriate additional qualifications that will be required. These additional qualifications may include specific qualifications for each Business Unit or other risk-based qualifications. These qualifications may also include one of the Contractor credentialing components available as

part of the Browz application. The Buyer is responsible for ensuring the Supplier is aware of the required qualification process prior to soliciting a proposal.

3. Supplier Performance

a. Supplier Compliance

Suppliers must comply with all Southern Company rules and regulations. Suppliers shall:

- Be required to communicate these requirements to their employees, sub-contractors, and agents.
- Abide by the terms and conditions of their POs or Contracts.

b. Ensuring that Suppliers Conform to Terms and Conditions

i. Business Unit Responsibility

The Business Unit will be responsible for ensuring that all work performed for Southern Company will be executed under the terms and conditions of a written Contract or PO issued by the SCM Organization.

ii. Supplier Responsibility

The Supplier has the responsibility to comply with all requirements of the Contract and meet all performance obligations specified and agreed upon within the Contract. Refer to the Contract Guidance Manual (Module 6) for more information regarding Suppliers.

iii. Second Tier Suppliers

In some situations, the Supplier may sub-contract to other firms. If this is allowed under the Contract, the second tier Supplier is expected to comply with all terms and conditions of the Contract between the Supplier and Southern Company and is subject to dismissal under these terms. Refer to the Contract Guidance Manual (Module 6) for more information regarding second tier Suppliers.

iv. Buyer Responsibilities

The Buyer should assess the risk associated with each request and ensure that the appropriate terms and conditions are in place with the Supplier. The Buyer shall support the Business Unit in the administration of the Contract as needed. The Buyer should perform expediting activities as required in accordance with Modules 2 and 3.

C. Purchase Order and Contract Approval Guidelines

Except for emergency situations, the necessary reviews will be obtained as part of the Workflow process within Maximo. Emergency situations will be reviewed in accordance with the appropriate alternate process as determined by each Affiliate. Once the

Requisition has been received and processed within SCM, POs will be reviewed and Contracts will be executed in accordance with the following:

1. Purchase Order Review within SCM

Buyers can issue POs without additional review within their Purchase Order review limit. These limits are generally classified by the Buyer's level of responsibility, although exceptions may be made at management's discretion. Purchase Orders that exceed the Buyer's review limit will be routed to the appropriate level for review.

The positions and maximum approval limits are as follows:

SCM Exempt Level	Purchase Order Review Limits
2/3	\$50,000
4	\$100,000
5	\$250,000
6	\$500,000
7	\$1,000,000
8	\$5,000,000
9+	Unlimited

2. Contract Execution

The Buyer is responsible for ensuring that every Contract is executed in accordance with all requirements in the "Contract Preparation, Award, and Approval" section within Chapter II of the Contract Guidance Manual (Module 6).

D. Maintaining Multi-Year Procurement Guidelines

It is important to maintain multi-year Contracts consistently and effectively. Contracts should not be entered into for greater than a three year term unless approved by SCM Management. The maintenance of these Contracts can be segmented into three main processes:

1. Re-Bidding a Multi-Year Contract

If a Contract is a multi-year Contract, the following criteria should be used when deciding when to re-bid the Contract:

- Contract has been in place longer than three years.
- Internal customer is dissatisfied.

- Change in market conditions (competition, pricing, etc.).
- Scope of work changes.
- Breach of Contract.

The Buyer should document the reason for re-bidding a multi-year contract in the internal comments of the Maximo Contract or in the records file.

2. Extending a Multi-Year Contract

If a Contract is a multi-year Contract, the criteria described below should be used when deciding to extend an existing Contract.

For Bid Contracts when:

- Contract language allots for extension.
- Sole Source Justification is provided.
- Pricing is below or at market level.

Note: Extension of a Bid Contract beyond the original contract term, or in excess of the awarded scope of work, will require a Sole Source Justification.

For Convenience Contracts when:

- Request is made by internal customer.
- Contract has been in place less than three years.
- Contract language is reviewed to ensure it is current or equivalent.

The Buyer should document the reason for extending a multi-year contract in the internal comments of the Maximo Contract or in the records file.

3. Canceling a Multi-Year Contract

If a Contract is a multi-year Contract, the following criteria should be used when deciding to cancel a Contract:

- Contract is no longer needed.
- Contract is breached.
- Contract meets re-bid criteria.
- Internal customer is dissatisfied.

The Buyer should document the reason for canceling a multi-year contract in the internal comments of the Maximo Contract or in the records file.

E. Maximo Contract Usage Guidelines

1. Purchase Contract

The Contract Agent or Buyer shall create a Purchase Contract in Maximo for all fully executed Convenience Contracts and all other Contracts. The Purchase

Contract shall be of the appropriate type as defined within “SCM Software Applications” in this module. The following are the only exceptions to this requirement:

- Contracts that are defined below under “Master Contracts” that will require a Master Contract be established in Maximo. In many cases a Purchase Contract will still be created, but it will be in accordance with the Master Contract requirements.
- Short form contracts that may be created for low risk and low dollar scopes of work. A short form contract would typically be associated with a standard PO.

The above practice will allow for proper tracking of all executed contracts and reporting of funds under these contracts. When a Master Contract is not required, the Contract or Agreement should be attached to the Purchase Contract as an associated document in Maximo.

Requestors will be required to submit Requisitions for all work to be performed under the created Purchase Contracts. The use of a Maximo Max Dollar Contract or the Auto Release functionality on Maximo Contracts shall be approved by the responsible SCM Management prior to use with one exception:

- Under no circumstances should a Maximo Max Dollar Contract be associated to Sites across multiple operating company organizations (Orgs) in Maximo. When Max Dollar Contracts are established for procurement of material (non-inventory) or services, they will either be associated to one Site or multiple Sites within the same Org.

2. Labor Rate Contract

The Labor Rate Contract can be used to track labor and labor costs, extras, and adders as necessary under a specific Contract or Agreement. The Labor Rate Contract application is not intended to fulfill traditional time and material requests but is designed for situations where cost tracking is essential. The Labor Rate Contract allows for definition of labor rates for crafts, skills, and, optionally, labor records, extras, and adders, and facilitates the management of each. Below are the examples of situations where a Labor Rate Contract is deemed appropriate:

- Contracts billed and paid through the “CAMP” program, “Core Group” on-site Contractors, and Labor Broker arrangements.
- Tool, material, and/or consumable trailer(s) where there is a defined list of priced contents and markups that are tracked as each are used.

Requirements for using a Labor Rate Contract:

- A Labor Rate Contract should be based on a fully executed Contract or Agreement.
- One (1) Labor Rate Contract should be created for each Site identified within the fully executed Contract or Agreement.

- A Master Contract should be created prior to creating the Labor Rate Contract(s). The Labor Rate Contract(s) should be “associated” to the Master Contract within Maximo.
- In addition to creating a Labor Rate Contract for all defined labor rates, extras, and/or adders defined in a Contract or Agreement, a Purchase Contract should also be created to allow for purchases that are allotted for within the Contract or Agreement, but are not associated with the labor rates, extras, or adders pricing. The Purchase Contract should be “associated” to the Master Contract within Maximo.
- Supplier cannot be paid against a Labor Rate Contract. A Release is required. The Requestor must create a Requisition for all Releases to be issued under a Labor Rate Contract.
- The work management role titled “Labor Rate Contract Administrator” has the ability to revise rates included within a Labor Rate Contract.

3. Master Contract

A Master Contract establishes a master set of terms and conditions that have been accepted by both Southern Company and the Supplier in Maximo and allows those terms and conditions to be used across multiple Purchase Contracts, Labor Rate Contracts, and/or associated POs. Below are the examples of situations where a Master Contract is deemed appropriate:

- Strategic Sourcing Agreements, Volume Procurement Agreements, and other similar agreements where the general parameters have been defined, but actual contracts/authorizations will be required when those parameters are met.
- Any Contract or Agreement that will utilize Labor Rate Contract(s).
- Any Contract or Agreement that will require multiple Purchase Contracts to be created.

When the Master Contract is used, the Master Contract is required to be issued prior to creating any of the other Maximo Contracts that will be associated to it. All resulting Purchase Contracts and/or Labor Rate Contracts should be “associated” to the Master Contract in Maximo for tracking purposes. The Contract or Agreement should be attached to the Master Contract as an associated document in Maximo.

SUPPLY CHAIN MANAGEMENT

Procurement Policies & Procedures

Appendix A: Glossary

Issued: FEBRUARY 2010



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Glossary – Table of Contents

Overview3
Definitions4

Overview

This glossary supplements the Procurement Policies and Procedures of the Supply Chain Management Organization. It briefly defines key terms used in the modules and provides information specific to Southern Company's use of these terms.

Definitions

Affiliate – One of the subsidiaries of Southern Company.

Agreement – The agreement between the Supplier and Southern Company, which could include the Contract or PO (including all referenced attachments: proposal, RFP, quote, etc.).

Business Unit – Refers to the specific group within an Affiliate that is the requestor and/or recipient of requested materials and/or services.

Buyer – Refers to the Buyer, Contract Agent, or other SCM representative responsible for purchasing on behalf of an Affiliate.

Southern Company – Refers to Southern Company or one its Affiliates.

Change Purchase Requisition (CPR) – Within Maximo, a CPR is used to change the quantity or price on an approved Contract, PO, or Release.

Contract – A bilaterally executed agreement between Southern Company and the Supplier which defines legally binding terms and conditions, parties, scope, consideration, offer, and acceptance. Contracts require careful attention to detail since purchases may involve high risks and/or large monetary investments. See Chapter I and “A. Purpose of a Contract” in Chapter II of the Contract Guidance Manual (Module 6) for more detailed information including an introduction to Contracts and the purposes for Contracts. Contracts are generally required when:

- Services are performed on Southern Company property.
- Major equipment is purchased.
- Intellectual property is being licensed.
- Other identified risks exist that warrant the negotiation of a Contract over the use of a PO.

Convenience Contract – A Contract containing accepted pricing, terms, and conditions between Southern Company and a Supplier for generally defined services to be performed as and when requested by Southern Company. This Contract does not authorize any work by itself, but provides Southern Company the convenience of having a Contract in place with the Supplier if needed. An approved Requisition is required for all work authorized under this type of Contract. (Examples: Master Service Agreement, Miscellaneous Contract). To support the Convenience Contract, a Maximo Purchase Contract is created with the Supplier so that materials and services may be purchased easily.

Documentum – A software application used for records retention within SCM. Refer to “SCM Software Applications” in this module for additional information.

Lowest Evaluated Bid – The result from the process used by Buyers to determine the successful Supplier in bid situations. SCM has an objective of sourcing based on the best overall value to Southern Company. In bid situations, this is achieved by determining the lowest evaluated bid and sourcing to that Supplier. The process enables the Buyer to evaluate commercial and technical differences in addition to price

differences between bids. The Buyer typically includes the Business Unit and Legal, Accounting, and/or Risk Management departments in the evaluation process and may involve SCM Management as necessary.

Master Agreement – An agreement containing terms and conditions accepted by both Southern Company and a Supplier. This agreement does not authorize any work by itself, but provides Southern Company the convenience of having accepted terms and conditions in place with the Supplier if needed for future Contracts.

Maximo – A software application used for purchasing within SCM. Refer to “SCM Software Applications” in this module for additional information.

Maximo Contract – A Purchase Contract (blanket, price, or purchase), Master Contract, or Labor Rate Contract, which are available for use within the Maximo system. Each type is used in specific instances as defined in “Maximo Contract Usage Guidelines” in this module.

Maximo Max Dollar Contract – A Maximo Contract that has been associated to an approved PR. The result is that any PR used to issue a Release under this type of contract does not require expenditure approval when the cumulative total of the Releases issued under the Contract do not exceed the total that was approved as part of the PR associated to the Contract. All Sites associated with this Contract will be able to use the approved funds under this type of Contract. For this reason, Max Dollar Contracts should not be associated to Sites across multiple Orgs in Maximo. When Max Dollar Contracts are established for procurement of material (non-inventory) or services, they will either be associated to one Site or multiple Sites within the same Org.

Original Equipment Manufacturer (OEM) – The company that originally manufactured a product and is the only available source for that product.

Purchase Order (PO) – A unilateral document issued by Southern Company to the Supplier which contains legally binding terms and conditions, parties, and scope and/or specifications. POs will be issued for almost all transactions to, at a minimum, facilitate the invoicing and payment processes. There are many situations where an executed Contract is not warranted based on the level of risk associated with the purchase. In these situations, the issuance of a PO will be the standard method for procurement and a bilateral Contract will not be required. POs without a Contract are generally sufficient when:

- Material is purchased.
- Low-risk services are performed off Southern Company property.
- Equipment (non-major equipment) is purchased.
- Arranging other low risk situations that do not warrant the negotiation of a Contract over the use of a PO.

Release – Within Maximo, a Release is the equivalent to a PO except that it was issued under an existing Purchase Contract or Master Contract and is subject to those associated terms and conditions.

Revision – Within Maximo, a revision is a change to an approved Contract, PO, or Release. A revision that affects quantity and price will also require a CPR.

Requisition – A purchase Requisition (PR) generated by the user within the Maximo system to request materials or services.

Request for Information (RFI) – An invitation for Suppliers to provide written information about their qualifications in reference to a specific request. Typically, the RFI follows a format that can be used for comparative purposes.

Request for Proposal (RFP) – An invitation for Suppliers to submit a proposal on providing specific materials and/or services through a Sealed Bid Process. The RFP is used to provide structure to the procurement process and allows the risks and benefits to be clearly identified upfront.

Request for Quote (RFQ) – Within Maximo, “RFQ” refers to the process for requesting proposals/quotations from Suppliers. The term also refers to an invitation for Suppliers to submit a quote on providing specific items through a Sealed Bid Process. RFQs are typically used when obtaining pricing for commodities.

Sealed Bid Process – Process by which Suppliers respond to an RFP or RFQ. Within this process each Supplier response is received in a controlled manner and no submission is opened until the bid is closed (typically after the due date and time has passed). All bids are documented and opened at the same time.

Sole Source Supplier – Term used when there is only one Supplier capable of providing a material or service and any attempt to obtain bids would only result in the identified Supplier being available to meet the need (i.e. Insufficient time to obtain competitive bids due to an emergency or other unavoidable circumstance, no other qualified contractors, sufficient information is available from other similar, recent bids to justify commitment, agreements relating to research, developmental, and environmental contracts, strategic partnerships or other teaming agreements, or small dollar contracting activities, as defined in local operating company procedures). When a justification is documented and approved by the appropriate level of management, competitive bids are typically not required when purchasing from the Supplier.

Southern Company Sourcing (Emptoris) – A software application used for bidding and Contract development within SCM. Refer to “SCM Software Applications” in this module for additional information.

Strategic Alliance Agreements – Strategic Alliance Agreements are agreements with Suppliers for key and critical materials and services. By creating a Strategic Alliance, Southern Company may be assured of getting a better overall value, while at the same time working with the Supplier to improve the overall cost of ownership.

Supplier – A business entity that supplies materials and/or services to Southern Company. Within the Maximo and Browz applications, a Supplier is referred to as “Company.” Typically, Suppliers are referred to as “Contractor,” “consultant,” or “vendor” in many SCM Contracts outside of Maximo.

Term – Within Maximo, this refers to the standard paragraphs available for inclusion in purchase orders and Maximo Contracts. These are maintained by Southern Company Legal within the Southern Company Sourcing software application. (**Note:** In Southern Company Sourcing, these are referred to as “clauses.”)

Three-Way Match – The three-way matching process verifies that the receipt, PO, and invoice information match for invoicing and payment purposes. The following conditions should be met:

- Quantity billed is less than or equal to quantity ordered.
- Invoice price is less than or equal to purchase order price.
- Quantity billed is less than or equal to quantity received.

Two-Way Match – The two-way matching process verifies that PO and invoice information match for invoicing and payment purposes. The following conditions should be met:

- Quantity billed is less than or equal to quantity ordered.
- Invoice price is less than or equal to PO price.

SUPPLY CHAIN MANAGEMENT

Procurement Policies & Procedures

Module 5: Records Management Guidelines

Issued: February 2011



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Overview

A. Purpose

Records management is the responsibility of every member of the Supply Chain Management (SCM) Organization. The documents used in the supply chain process are important Southern Company records that must be maintained and safeguarded so they are correct, complete, and accessible to management, auditors, and others.

Records and documents contain fundamental information needed for successful quality control, operations management, business planning, and potential litigation.

Records should be maintained, stored, and distributed in strict compliance with Southern Company policies and procedures.

Records are important because they:

- Maintain operational, financial, and accounting information needed to manage business operations.
- Provide a justification basis for future estimates.
- Provide data for comparison to other company or Business Unit information so efficiency and effectiveness can be measured.
- Provide status and performance data.

B. Scope

This module contains the policies and procedures regarding records management that are used by each Affiliate to aid audit groups and employees. An Affiliate may have a designated SCM Records Management Group or individual(s) responsible for performing records management in accordance with the policies and procedures defined within this module.

This module is controlled and maintained by the manager of compliance for SCM.

This module contains information regarding:

- SCM documentation.
- Records management processes.
- Responsibilities of Buyers and designated records management personnel.

See Appendix A, Glossary, for definition of key terms used in the SCM Procurement Policies and Procedures.

C. General Policies and Considerations

Each Buyer will be held accountable for:

- Maintaining confidentiality and safeguarding information for all documents under his or her care and control.
- Routing documents to SCM records management personnel for retention.

- Ensuring all documents related to a Contract (Contract, insurance certificate, and so on) are sent to records management personnel, retained with Documentum via Maximo, or filed electronically according to the Desktop Procedures for Filing (see http://supply-chain.southernco.com/docs/compliance/Desktop_Procedures.doc).

SCM records management personnel are responsible for ensuring:

- All documents they retain are accounted for at all times.
- All documents are maintained so that information remains confidential.
- Documents are safeguarded against theft and loss.
- Duplicate copies of vital company records are maintained offsite or in electronic format, as necessary.
- Documents submitted for electronic storage are moved to the shared drive folder designated for blanket, purchase order, and contract documentation.
- Arrangements are made with Southern Company Records Management to store documents electronically and/or offsite.
- Arrangements are made for the storage of vital paper documentation.

D. Custodial Responsibility

The Vice President of SCM is ultimately responsible for the records management of the organization. SCM records management personnel are responsible for ensuring that corporate and organizational goals in regards to records are met.

While a request is being processed, pre-award documents (inquiries, requests for bids, bids, supporting documentation, requests for change orders, and so on) are the responsibility of the individual Buyer responsible for the purchase request.

After an award has been made, the Buyer is responsible for submitting all documentation that supports the Purchase Order or Contract to his or her designated SCM records management personnel for safekeeping and storage, or filing documents electronically following the Desktop Procedures for Filing (see http://supply-chain.southernco.com/docs/compliance/Desktop_Procedures.doc).

Note: Many documents are stored electronically and automatically. Purchase Orders, Change Orders, Requests for Quotes (RFQs), and so on are maintained on the appropriate computer systems in an electronic format.

E. Supply Chain Document Processing

Document management is a team responsibility. SCM records management personnel work closely with Buyers to ensure document integrity and safekeeping. Access to these documents by other departments or individuals shall be granted only with approval of the appropriate level of SCM Management or Buyer.

SCM Records Management Processes

A. Overview

This section defines the responsibilities of the records management personnel within SCM. For details on required documentation, see Module 2, Standard Purchasing Procedures, or Module 3, Procedures for Contract Purchases.

SCM records management personnel are responsible for:

- Managing records for SCM.
- Managing Sealed Bid Processes.

B. Managing Records

In general, all documentation is filed and catalogued by the Contract number or Purchase Order number. Some of the records that may be maintained by the SCM records management personnel in hard copy format include:

- Supplier electronic data interchange (EDI) agreements (hard copy).
- Master Agreements (hard copy).
- Supplier insurance certificates.
- APC, GPC, Gulf, SCS, SPC, and MPC inquiries.
- APC, GPC, Gulf, SCS, SPC, and MPC contracts (hard copy).
- Drawings, microfilm, and tapes.

Electronic documents are stored on the shared drive, Enterprise 9, or Documentum.

SCM records management personnel must ensure the safekeeping of all records in its care and control. Records removed from the center must be checked out by a Buyer or authorized for removal by a Buyer or SCM Manager. Groups external to SCM must coordinate document requests with a Buyer, SCM Management, or SCM Compliance. Hard copy documentation must be checked out by completing a checkout card or, where applicable, by scanning the bar code on the document and the Buyer's badge. These procedures will create a record of the responsible borrowing party and the date of record removal.

Hard copy documents remain onsite for one year after expiration of the Contract or Purchase Order and are then forwarded to a third party contractor for offsite, long term storage. The Business Information Services organization will send a destruction notice to SCM records management personnel for approval prior to the destruction of any records.

C. Retention Schedule

The Southern Company Records Management Retention Schedule is located at <http://compliance.southernco.com/records-mgmt/SoCoRecordsMgtRetentionSchedule.html>.

This schedule is updated periodically. Each Buyer is responsible for following the retention schedule and ensuring documents are destroyed in accordance with the schedule. Any deviation must be approved by SCM Management.

D. Managing the Sealed Bid Process

SCM records management personnel shall securely maintain all bids received in a Sealed Bid Process.

For Maximo RFQs (those **not** using Southern Company Sourcing/Emptoris):

As bids are received, they are filed in a secure electronic location until after the due date has passed or all bids are received. SCM records management personnel key the bids into the purchasing system and attach the bids to the RFQ no later than the close of business the day after the bid due date has passed.

For manually submitted RFQs/Requests for Proposals (RFPs):

SCM records management personnel shall maintain a list of inquiries and bids including due dates. Bids are collected and held in a secure location until after the due date has passed or all bids have been received. The bids are then delivered to the Buyer.

E. Purge and Destruction Responsibility

Any records that are purged or destroyed must have a destruction notice or letter sent to and maintained by SCM records management personnel. This notice must document the following:

- A complete listing of all destroyed documents.
- Date and time of destruction.
- Reason for or justification for destruction.

In accordance with the corporate retention schedule, SCM records must be periodically purged and destroyed because of space, time, cost, and other business considerations. If records are to be maintained beyond the retention schedule, plans should be approved by the appropriate manager and documented with the valid business reasons.

SUPPLY CHAIN MANAGEMENT

Procurement Policies & Procedures

Module 2: Standard Purchasing Procedures

Revision 1

February 2011



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Module 2: Standard Purchasing Procedures

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Overview

A. Purpose

This module provides procurement procedures governing standard purchasing for Southern Company's Supply Chain Management (SCM) Organization.

B. Scope

This module contains the procedures used by Southern Company's SCM Organization to issue noncontract Purchase Orders (PO) to procure materials and equipment and issue authorizations for the procurement of services and major equipment under existing Contracts. This module is controlled and maintained by the Manager of Compliance for SCM.

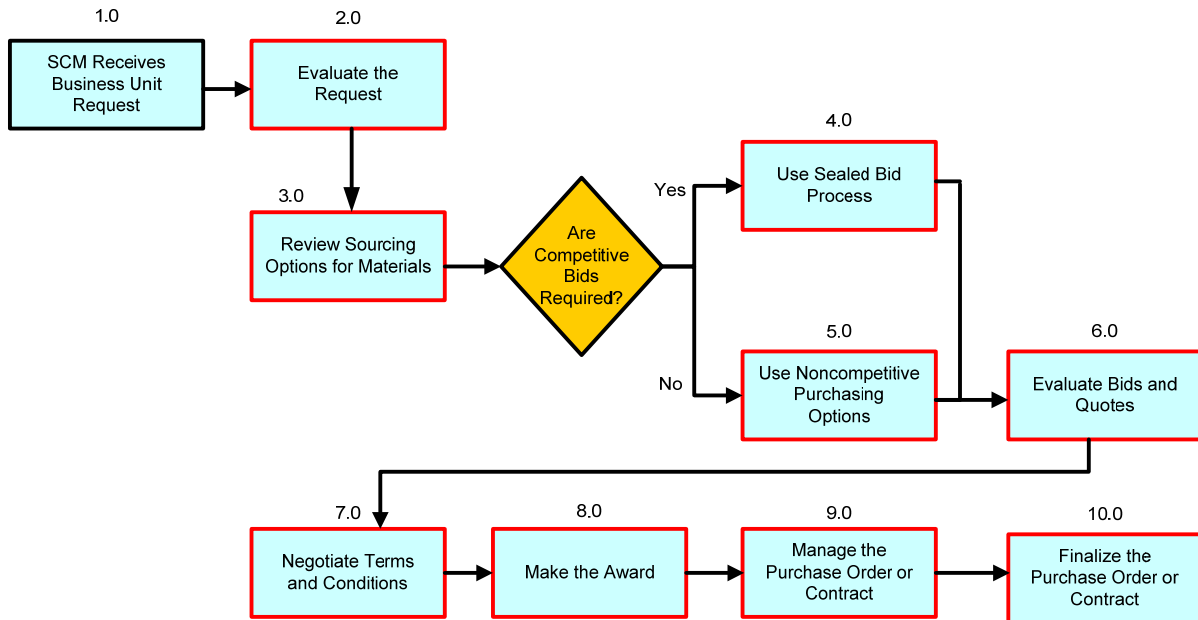
These procedures do not replace Buyer discretion and judgment. All procurement decisions should be made in the best interests of Southern Company and its Affiliates. Deviations from these procedures must be documented in detail and approved by SCM Management.

See Appendix A, Glossary, for definition of key terms used in the SCM Policies and Procedures.

The Standard Purchasing Process

Procurement at Southern Company is a process broken down into 10 manageable steps. Each one of these steps is a detailed process.

Process Flowchart – SCM Standard Purchasing Process



1.0 Receive the Business Unit Request

SCM receives a request from the Business Unit, normally in the form of a Requisition.

A. Valid Request Mechanisms

The following are approved request mechanisms that SCM may accept to initiate procurement under this module:

1. Requisition

A Requisition is the standard Southern Company method to request SCM to issue a PO/Release for materials or services as defined in this module.

2. E-mail

The Buyer may accept an e-mail request to initiate a Request for Proposal (RFP), a Request for Quotation (RFQ), or to establish a Convenience Contract.

The Buyer may also accept an e-mail for the purchase of materials or services in certain situations. Such requests for the purchase of materials or services are generally made for Priority 1 and 2 purchases. **The Requestor is required to followup with the appropriate paperwork and requisition as soon as possible.**

B. Requisition Requirement

A Requisition is required to authorize the expenditure for all purchases to be made by SCM. It is through the Requisition that SCM issues a PO.

The Business Unit will initiate the Requisition process in Maximo. If necessary, the Requisition should specify the individual responsible for invoice reconciliation (Invoice Reconciler) and contract administration (Contract Administrator) as well as the estimated expenditure amount of the request. All Requisitions must adequately detail the material/equipment to be provided and/or scope of work to be performed to allow appropriate processing and competitive bidding as required.

C. Technical Specifications

Business Units are encouraged to provide all possible documentation, specifications, and drawings as an attachment to the Requisition or in an electronic format. When this is not possible in bid situations, the Business Unit should provide a quantity equal to the number of bidders plus one copy for permanent procurement files. The degree of documentation/description may vary from project to project.

If the Business Unit has provided bid specifications developed based on information provided by a Supplier, the Buyer should verify the specifications do not provide an unfair advantage to that Supplier.

SCM may assist in the development of specifications and details.

D. Emergency Requests

Emergency conditions exist when there is an immediate purchase need and time does not allow for normal processing of the Requisition. Purchases should be made using

this method only in urgent circumstances and the absence of other available purchase methods. Emergency Requisitions can be created in Maximo and should have a Priority Code of 1 or 2 (see 2.1, Review Priority Code).

1. Emergency Requests During Normal Working Hours

These procedures should be followed for emergency requests during normal working hours:

- The Business Unit contacts the appropriate Buyer in SCM for assistance in sourcing options and/or issuance of an Emergency PO, if required.
- For e-mailed requests, the Buyer should ensure that both a requestor and approver have been identified and that the approver's approval authority is greater than the estimated value of the requested materials and services.
- The Business Unit completes the Requisition and references the Emergency PO number (if obtained). If an Emergency PO has been sent to the Supplier, the Requestor should include the following note in the Internal Comments field of the Requisition: "Confirmation of goods or services already ordered/requested." The Requisition is sent through the normal routing and approval process.

Note: In Emergency situations where a Priority Code of 1 or 2 is used, the Buyer should note that the Business Unit may require a sole source justification regardless of the Emergency status or Priority Code. In situations where a sole source justification is required, it should be provided at the time the Requisition is sent to SCM. The sole source justification should specify what negative effects would have occurred if the emergency purchase had not been made (such as loss of power delivery, revenues, or plant availability).

2. Emergency Requests Outside Normal Working Hours

When SCM personnel are unavailable, the following procedures should be followed:

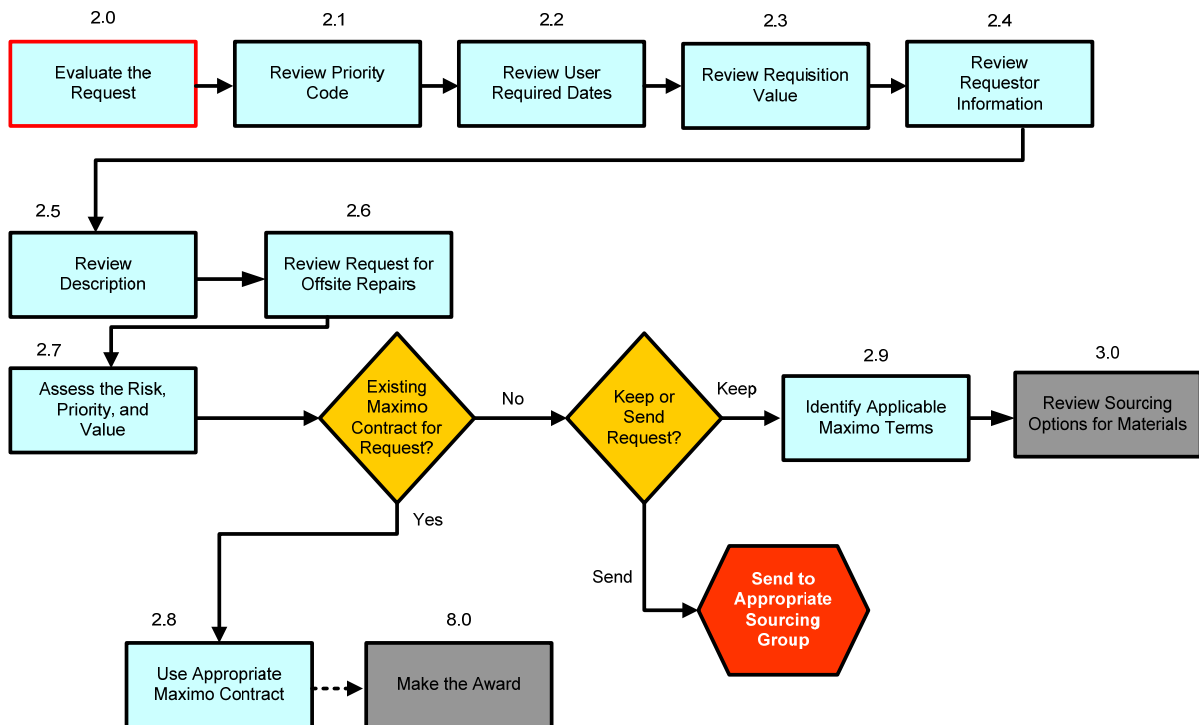
- The Requestor should obtain an Emergency PO number and provide it to the Supplier to facilitate the procurement of the Emergency Request.
Note: To facilitate this process, the Buyer may need to provide a list of Emergency PO numbers to the Business Unit.
- The Business Unit should then complete the Requisition and reference the Emergency PO number. The Requestor should include the following note in the Internal Comments field of the Requisition: "Confirmation of goods or services already ordered/requested." The Requisition should be sent through the normal routing and approval process.
- As soon as SCM is available, the Requestor should contact the appropriate Buyer for assistance in completing the required documentation of the Emergency Request.
- The Buyer should use the Requisition to update the Emergency PO in Maximo.

Note: In Emergency situations where a Priority Code of 1 or 2 is used, the Buyer should note that the Business Unit may require a sole source justification regardless of the Emergency status or Priority Code. In situations where a sole source justification is required, it should be provided at the time the requisition is sent to SCM. The sole source justification should specify what negative effects would have occurred if the Emergency purchase had not been made (such as loss of power delivery, revenues, or plant availability).

2.0 Evaluate the Request

The Buyer must carefully evaluate each request. This is critical to the overall process and the successful procurement of the material, equipment, or service. The Buyer should contact the Requestor if additional information is needed during this stage. Upon receiving a request, the Buyer should initially review the Priority Code, required dates, estimated value, and description (scope of work) for completeness prior to assessing how to proceed. Based on the Buyer's evaluation, the request may be forwarded to another Buyer, or he/she may continue using this Module 2.

Process Flowchart – Evaluate the Request



2.1 Review Priority Code

Priority Codes are assigned by the Business Unit to establish the priority of the Business Unit's need for the material, equipment, or service requested and to authorize certain actions by the Buyer.

Priority Codes are classified as 1, 2, 3, or 4 in Maximo. The Buyer is expected to take immediate action to fill Priority 1 and 2 Requisitions.

A. Priority Codes

1. Priority Code 1

Priority 1 indicates the material or service affects customer service – an immediate impact exists. Examples include potential loss of generating plant availability, impact to power delivery, and major communication degradation.

2. Priority Code 2

Priority 2 indicates an economic risk exists – an immediate adverse impact on revenues and expenses.

3. Priority Code 3

Priority 3 is a routine purchase but is lead-time dependent. If it is not received by the date required, it has the potential to become Priority 1 or 2.

The Buyer is expected to take action necessary to meet the user's needs on or before the required delivery date.

4. Priority Code 4

Priority 4 is a routine purchase. This is a normal inventory replenishment or other requirement where adequate lead time is available.

Even though Priority 4 is the lowest priority, these requests still require immediate attention by SCM. The date required is considered a vital part of such requisitions and should not be compromised, if possible.

On Priority 4 Requisitions, the Buyer's effort is usually concentrated on sourcing and pricing rather than on expediting delivery.

2.2 Review User Required Dates

The Buyer should ensure a required date is on the request. The required date field refers to the day the material must be onsite or the day the service must be completed.

2.3 Review Requisition Value

The Buyer should review the estimated amount on the request to ensure the appropriate action is taken in processing the request and the proper terms and conditions are established.

2.4 Review Business Unit Requestor Information

The Buyer should confirm the Business Unit requestor and contact, as necessary, to ensure SCM has all required information.

2.5 Review Description

The Buyer should carefully review the description of the request to determine if it contains sufficient information to obtain a quote/proposal. The Buyer should contact the Business Unit if additional information is required.

Note: If the description of the request is to purchase software or hardware, the Buyer should assist the Business Unit requestor in complying with the Information Matters Policies prior to purchasing hardware or software:

http://compliance.southernco.com/policies/soco/Corporate-Policies/IT_Acquisition_Policy.doc

2.6 Review Request for Offsite Repairs

Southern Company maintains an inventory of spare materials available for use by Generation, Transmission, and the telecommunications departments. Most of the materials in inventory are items that are purchased new and stocked for use as replacements when needed. However, some items are not new. These items have been removed from service, repaired or rebuilt, and then included in an inventory storeroom.

When the user department determines an item needs repair, a request for repair and return of that item is prepared. The requestor is responsible for describing the item, noting the manufacturer model number, serial number, and so on and describing the problem with the item.

When required by the Business Unit, the Buyer should verify a Return Authorization Number (RA#) has been included on the PO for an equipment repair.

2.7 Assess the Risk, Priority, and Value

Generally, Buyers using this module will process requests for materials and/or equipment, requests covered under existing Maximo Contracts, Emergency sourcing requests, and other transactions suitable for performance under the standard terms and conditions of a PO, under established contracts, or for which SCM Management has approved the application of this module. It is important for the Buyer to manage the risk prior to the issuance of a PO for an effective compliance strategy. This approach is fundamental in supporting good procurement decisions and managing each PO on an individual basis. Therefore, a risk assessment process is necessary on every Requisition.

By identifying potential risks early, the Buyer can determine if the terms and conditions available within a PO will be sufficient to cover the associated risks or if more extensive terms and conditions or a Contract may be required. If this is the situation, the request may need to be routed to the appropriate Buyer or Contract Agent.

As agents of Southern Company, Buyers should work diligently to ensure the appropriate contractual terms and conditions are in place prior to a Supplier beginning work. By ensuring this, risk and noncompliance issues will be avoided.

The Buyer has the option to seek input from an SCM Contract Agent, the Risk Management Group, the Accounting Research Group, and/or the Legal group to ensure risks are properly managed, as needed.

A. Liability and Ethics

To protect Southern Company's interests, SCM employees must ensure the appropriate POs or Agreements/Contracts are in place with Suppliers that minimize Southern Company's liability resulting from accidents, errors, or other risks. Southern Company is also committed to conducting its business in an ethical, professional manner and in compliance with all applicable laws and regulations. As an agent for Southern Company, the Buyer must take all of these issues into consideration when purchasing materials or services from a Supplier. If the Buyer believes that any part of the process is inconsistent with the department's commitment to ethics, compliance with laws and regulations, or company policies, he or she is obligated to discuss the issue with SCM Management. If the Buyer alerts management but does not believe adequate actions have been taken, he or she has a duty to report the issue to the appropriate compliance officer or Concerns Program (1-800-754-9452).

B. Performing the Assessment

After reviewing the Request, the Buyer should use his or her experience to assess the associated risk, Priority, and value.

Buyers should contact SCM Management if requestors misuse Priority Codes in an attempt to have their orders processed faster. Priority Codes help Buyers determine how to source the request. Since Priority 1s and 2s are for transactions that affect customer service, or for which revenue could be potentially lost, these should be processed as quickly and efficiently as possible. If orders are placed in an undeserving Priority 1 or 2 status, this can affect the procurement methods employed by SCM and may result in the loss of Southern Company time and money.

In most situations, the Buyer has discretion in determining the appropriate purchasing method based on the value of the PO. For example, an Affiliate may permit the use of a procurement card to purchase a low-risk, noninventory request valued at less than \$5,000. A Buyer might also recognize the potential for significant savings if a particular item is purchased using a Maximo Contract, or the bid process, versus other methods.

Ultimately, it is the responsibility of the Buyer who receives the request to ensure the appropriate individual within SCM receives the request. Buyers will be associated with specific Sites within Maximo and those Buyers will be required to assess the risk associated with the Business Unit request and determine the appropriate path within SCM. The Buyer should assess if the request is for a standard purchase or if the risk is greater and adherence to the Contract Guidance Manual is more applicable. Based on the result of this assessment, the request will either be kept and processed under this module or routed to the appropriate individual for processing in accordance with Module 3: Contracts Purchasing Procedures.

If the Buyer keeps a request for services or major equipment for processing and elects to use an existing Maximo Contract, the Buyer is responsible for determining if the referenced contract or associated terms and conditions are appropriate for the request. This determination can be accomplished by one or all of the following actions:

- Review the referenced Contract/document(s) to determine the scope/intent.

- Contact the Buyer of record associated with the Maximo Contract to discuss.
- Discuss with SCM Management, as needed.

If the Buyer determines the Maximo Contract is inappropriate for the request, the Buyer should route the request to the appropriate Contract Agent for processing.

If the Maximo Contract is appropriate for the request, the Buyer should determine if the competitive requirements were met when the Maximo Contract was established. The Buyer will perform one of the following processes:

- If the competitive requirements were met, the Buyer should request a quote from the Supplier (if needed) and proceed with issuing a release under the identified Maximo Contract.
- If the competitive requirements were not met and an exception to the competitive requirement applies, the Buyer should request a quote from the Supplier (if needed), obtain the required documentation (including a sole source justification from the Business Unit approved by the appropriate level of management, if required), and proceed to issue a release under the Maximo Contract.
- If the competitive requirements were not met and an exception to the competitive requirement will not apply, the request will need to be competitively bid. The Buyer should route the request to the appropriate Sourcing Group.

2.8 Use Appropriate Maximo Contract

If the Buyer determines an existing Maximo Contract should be used, he or she should proceed with issuing a Release/PO under the appropriate Maximo Contract.

Note: Upon issuing the Release/PO, the Contract Agent should proceed to 8.0, Make the Award.

2.9 Identify Applicable Maximo Terms

Based on the evaluation of the request, Buyers must determine which, if any, of the Terms in Maximo (standard paragraph terms and conditions statements) must be included in the RFQ process and resulting PO. Occasionally, a Buyer may require a Term not included within the existing Terms in Maximo. In these situations, the Buyer may create a one-time Term for use on that specific PO. The Buyer should consult Legal as needed in the creation of new PO-specific Terms.

Buyers use Maximo Terms to communicate information to suppliers regarding shipping arrangements and other details about the purchase.

Buyers also use Maximo Terms to further define standard terms and conditions, which print on the last page of the PO.

A. Choosing the Appropriate Maximo Term

To choose applicable Maximo Terms, the Buyer:

1. Uses his or her experience to select the most appropriate Maximo Terms for the PO.
2. May add administrative Maximo Terms to specify Supplier requirements regarding:

- PO processing.
 - Shipping information.
 - Invoicing information.
3. May add commercial Maximo Terms to specify Supplier requirements, such as:
 - Price.
 - Delivery.
 - Terms and conditions.
 - Indemnification.
 - Warranty.
 4. Create a PO-specific Maximo Term, or change a Maximo Term.

The Buyer has the ability to create a new Maximo Term or change an existing Term as required. The Buyer will request Southern Company Services (SCS) Legal or the Enterprise Solutions Support (ESS) Group to create or change a Maximo Term when:

- Regulations change.
- He or she will refer to the Term frequently.
- The current Term no longer meets his or her needs.
- The Buyer determines existing terminology does not meet his or her needs.

Note: If the new language is specific or will be used only infrequently, the Buyer should instead customize the Term. When a buyer customizes a Maximo Term, SCM Management or its designee should approve the language prior to issuing the PO or Contract. In some cases, a legal review may be required.

After a Buyer determines which Maximo Terms to add to the PO, he or she attaches the Terms in Maximo.

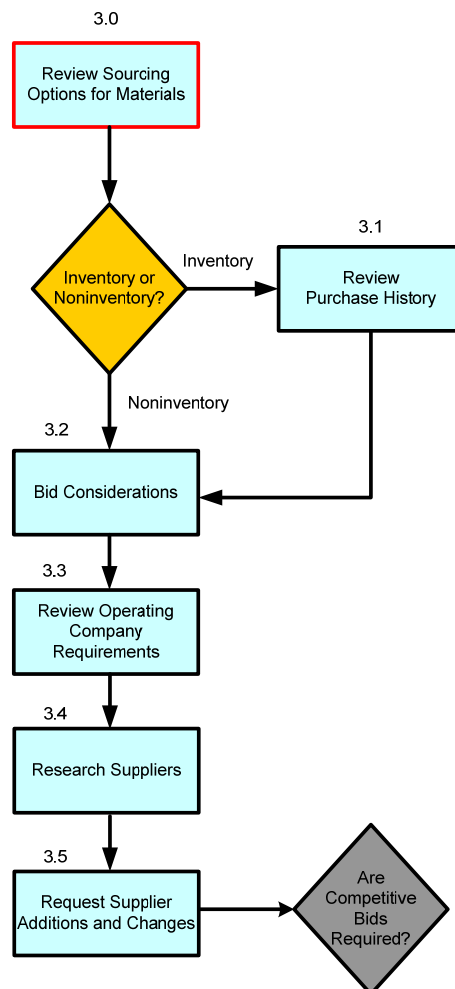
3.0 Review Sourcing Options for Materials

The Buyer has several sourcing options for material purchases. The Buyer shall comply with Southern Company requirements on bidding. If an exception to the competitive bid requirements applies, the Buyer should obtain all necessary documentation. The sourcing may result in a single source supplier or a competitive bid depending on the requirements of the request.

For inventory materials, the Buyer should use the purchase history associated with an Inventory Item and also any identified, approved manufacturers associated with the item to obtain potential qualified suppliers.

For noninventory materials, the choices may be fewer. The Buyer must rely on the expertise of the Requestor and his or her own experience to obtain potential qualified Suppliers.

Process Flowchart – Review Sourcing Options for Materials



3.1 Review Purchase History

Buyers can review purchase history to begin to develop a list of potential Suppliers. This process will allow the Buyer to review the usage, description, and internal/external comments of an Item.

3.2 Bid Considerations

A. Soliciting Competitive Bids

When the Requisition exceeds the minimum competitive bid amount, and alternative sources are available, the Buyer should solicit a minimum of three competitive bids.

When fewer than three Suppliers are available for solicitation of bids, the Buyer seeks competitive bids from those available and appropriately documents that information on the PO (for example, "two Suppliers only").

The Sealed Bid Process is required when soliciting competitive bids from Suppliers (see 4.0, Use the Sealed Bid Process).

B. Exceptions to Competitive Bidding Requirements

Exceptions to the competitive bid process may be made under the circumstances listed below. **Any special circumstances shall be noted by the Buyer in the internal comments of the PO or documented within his or her records file.**

Note: Although competitive bids are not required in the circumstances described below, Contract Agents are expected to use reasonable judgment when deciding whether to solicit competitive bids. If any question exists concerning a Supplier's noncompetitive bid proposal obtained as a result of one of the competitive bid exceptions identified below, the Contract Agent should strongly consider rejecting the proposal and soliciting competitive bids prior to awarding the purchase. The Contract Agent should discuss concerns with SCM Management and the Business Unit Requestor and proceed in the best interest of Southern Company. The Contract Agent should document any concerns and the results within the internal comments of the PO.

1. Competitive Bid Minimum

If the value of the Requisition is less than the competitive bid minimum of \$10,000, the Buyer is not required to solicit competitive bids. The Buyer should use his or her experience and work with the Business Unit to select the Supplier in the best interest of Southern Company. The Buyer shall solicit a bid from the Supplier.

2. Sole Source Situations

The Business Unit may elect not to solicit competitive bids in situations where the value of the request exceeds the competitive bid minimum and there is a Sole Source Supplier. When a Buyer receives a request for sole sourcing, a letter justifying the reasons a sole source is required should be included with the requisition. The Sole Source Justification shall be approved by the appropriate member of the Business Unit management team. A Sole Source Justification that exceeds \$250,000 requires the approval of the responsible executive. As a

general rule, sole sourcing should not be used for materials or services that can be obtained from more than one Supplier. It should be understood that sole sourcing sometimes results in higher prices.

3. Original Equipment Manufacturer

Competitive bids are not required when the purchase of materials is to be made from the manufacturer of the original equipment and other sources are not available. The Buyer documents this situation by writing "OEM" in the internal comments section of the PO. If the Buyer is not certain of the OEM status, the Buyer should request the Requestor to provide documentation supporting the OEM designation.

4. Priority 1 and 2 Purchases (Emergency)

Competitive bids are not required when the Priority Code within the Requisition is identified as either Priority 1 or 2 but should be sought whenever time permits. The Buyer should make this determination based on the particular circumstances. The Buyer should note that the Business Unit may require a Sole Source Justification regardless of the Priority Code.

Note: When practical, Buyers should review Emergency Purchases to compare prices charged in Emergency situations to those charged under nonEmergency situations.

C. Written Quote Minimum (Verbal Quote)

When soliciting a quote from a Supplier, the Buyer will have the option to solicit the quote verbally if the amount requested is less than the written quote minimum required by the Affiliate. The written quote minimum amount is specified in the following chart for each Affiliate:

Affiliate	Written Quote Minimum
Alabama Power	\$5,000 for Generation/ \$10,000 for Power Delivery
Georgia Power	\$2,500
Gulf Power	Not specified
Mississippi Power	\$2,500
Southern Nuclear	Not specified
Southern Company Services	\$2,500

If the Buyer solicits a quote verbally, the verbal quote form shall be completed and attached to the PO or the following information shall be documented in the internal comments section of the resulting PO:

- Bidder's business name and telephone number.
- Name of the person offering the bid.
- Date.
- Price.
- Discount (if applicable).
- Manufacturer's brand name (if applicable).
- Shipping point and freight on board terms (if applicable).
- Specialized hauling requirements (if applicable).
- Availability or requirements of Material Safety Data Sheets (MSDS) documentation (if applicable).
- Payment terms.
- Promise date.
- Warranty information (if applicable).
- Exceptions to company requirements.
- Additional terms and conditions.

Note: In certain situations, Affiliates may require a written quote if the estimated value of the Requisition is below a minimum written quote amount. The Affiliate is responsible for identifying these situations prior to requesting the Buyer to obtain a quote.

If the value of the Requisition is greater than the minimum written quote amount, a written quote from the Supplier is the required method of documentation.

3.3 Review Operating Company Requirements

Where specific requirements for an operating company exist that impact sourcing options, Buyers must adhere to these requirements. Below are established requirements identified by operating company:

A. Mississippi Power Requirements

The following statutes are from the Mississippi State Code:

1. **§ 77-3-16.** Bids required on certain public utility contracts; exceptions; list of contractors and suppliers.

Summary: Requires that Mississippi Power maintains a list of contractors and suppliers qualified to perform contracts within the scope of proposed utility projects and that any contractor can ask to be added to this list. The statute further requires that all contracts for construction, extension, or repair of facilities greater than \$200,000.00 be bid to all qualified contractors on this list and shall be awarded to the lowest and best bidder. Exceptions are for professional services, sole sources, or equipment and systems which by training or replacement of parts should be compatible with existing equipment.

2. **§ 31-3-21.** Bidding and awards.

Summary: Requires that any contractor bidding on construction work at Mississippi Power for work over \$50,000.00 obtain a “certificate of responsibility” from the State Board of Contractors. This certificate number or a statement that the work is for less than \$50,000.00 must appear on the exterior of the bid package or the bid cannot be opened.

3.4 Research Suppliers

The Buyer should determine the Supplier, or develop a potential bidder list, by using a combination of the research options identified below:

A. Determining How to Source Materials

A Buyer determines how to source a request based on the following areas:

- Business Unit input.
- Type of goods requested.
- Quantity requirements (standard and nonstandard packaging).
- Time frame requirements.
- Previous purchase history.
- Supplier availability.
- Customer service/references.
- Delivery requirements.
- History of previously awarded work/orders (last award).
- Supplier Diversity Classification.

B. Using Product Knowledge and Expertise

The Buyer may have certain product/Supplier knowledge in regards to the purchase, such as:

- Application and end use of product.
- Product assembly.
- Industry manufacturing lead-times.
- Knowledge of alternate/key Suppliers.
- Economic conditions involving material used to manufacture materials.
- Knowledge of Southern Company buying leverage in product and with individual Suppliers.
- Knowledge of availability from alternate sources (distributors, other operating companies, and so on).

C. Sources for Materials

The Buyer may review the following resources when sourcing materials:

- Supplier Registry Database (Browz).
- Supplier Diversity Organization.
- Previous POs.
- Internet.
- Local Yellow Pages.
- Thomas Register for industrial products and services.
- GIGA, Forrester for computer and other technology products and services.
- Peers.
- Business Units.
- Other Operating Companies.
- Better Business Bureau.

3.5 Request Supplier Additions and Changes

A. Identify Supplier

After researching Suppliers, the Buyer should check the Maximo and/or the Browz Supplier databases to determine if the Supplier is already established in the system. If the correct Supplier and/or Supplier Site is not included or listed in the SCM Software Applications, the Buyer must request the Supplier and/or Supplier Site be added to the system. If the Supplier and/or Supplier Site is listed but any information is incorrect, the Buyer may need to request a change to the existing Supplier information.

B. Obtain Supplier Information, as Required

Before a Supplier is available for use in the SCM Software Applications, it must meet the minimum requirements of Southern Company so that material and service needs are met safely, economically, and ethically. These minimum requirements are identified and evaluated through the verification process. To initiate the verification process, the Buyer must collect all required company-specific information from the Supplier. It is the

responsibility of the Buyer to collect the appropriate forms and submit them to the Supplier Maintenance Team to initiate the verification process.

Note: An affiliate may have specific documentation requirements which must be obtained prior to establishing a Supplier for a Site within the Affiliate's specific Org in Maximo. Buyers must ensure this documentation is obtained prior to submitting a request for this type of addition or change.

C. Submit Request to Supplier Maintenance Team, as Required

When a Buyer identifies a potential need to add or change Supplier information in the Southern Company Supplier System, the following conditions must be met:

1. The requesting Buyer must be authorized to make the request.

Requests for adding/changing Supplier information or adding/changing Supplier Site information must be made by an authorized requestor. Requests concerning specific Supplier and Supplier Sites information are subject to the following:

- a. For a Supplier Site addition or change, an authorized Requestor is a Requestor who has been granted a Buyer role for a Maximo Site within the Maximo Org the request is being made for. For example, to request a Supplier Site addition or change for SCS, the requestor must be a Buyer who has been granted rights to purchase for an SCS site in Maximo (i.e. SCORP or SIT).
- b. A request for a Supplier change that does not affect the Supplier Site record (such as the revision of a Supplier name, TIN, diversity status, etc.) can only be made by an authorized Buyer. To be authorized to make this change, at least one Procurement Site under the Supplier record must be associated to a Maximo Org that contains a Maximo Site that the Buyer has been granted buying rights to.
- c. Limited Option (LPO) Buyers in Maximo may not submit requests for changes to any Supplier information. LPO Buyers should document and send their requests to a Buyer for review and submittal on their behalf.

Note: A request can be submitted by an administrative assistant on behalf of the appropriate Buyer, but the responsible Buyer must ensure the request was appropriate by confirming the request in accordance with section D, "Confirm Completion of Request."

2. The Supplier addition or change must be necessary.

The Buyer (Requestor) is responsible for ensuring a Supplier addition or change is necessary. The Buyer should perform the due diligence required to research whether or not the Supplier exists within the SCM Software Applications prior to submitting a request for an addition or change.

3. Use appropriate Supplier addition or change forms.

The Buyer should use the appropriate form when submitting a request. The Buyer should access forms on the Supply Chain Management tools Web site:

<http://supply-chain.southernco.com/support/tools.html>

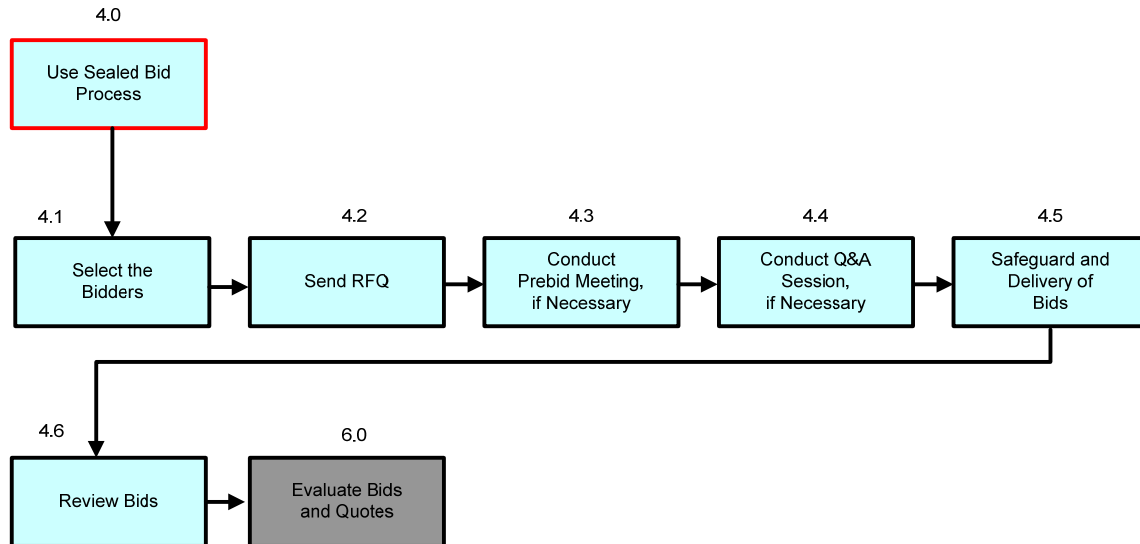
D. Confirm Completion of Request

Once a Supplier addition or change is completed, the Supplier Maintenance Team will send a notification to the requesting Buyer to inform him or her that the request has been completed. The Buyer is responsible for carefully reviewing these notifications to ensure the request was made by them, or that it was appropriately made on their behalf. If a Buyer receives a notification in error (i.e., he or she did not make the original request, or the request was inappropriately made on their behalf), he or she must notify the Supplier Maintenance Team as soon as possible.

4.0 Use Sealed Bid Process

When competitive bids are required, the Buyer shall use the formal Sealed Bid Process defined below. This ensures the Suppliers are treated equitably, bids are handled confidentially, and Southern Company receives the greatest value for the material or service being offered.

Process Flowchart – Use Sealed Bid Process



4.1 Select the Bidders

The Buyer reviews the potential bidders determined during 3.0, Review Sourcing Options, and selects the bidders based on input from the Requester, purchase history, and Buyer research.

Note: Only qualified Suppliers will be allowed to bid.

4.2 Send RFQ

The Buyer should prepare and send an RFQ to request quotes, prices, and/or information.

(Note: The Buyer should communicate the acceptable methods for the Supplier to submit his or her proposal at the time of issuing the RFQ.) RFQs may be issued as follows:

A. Requesting Quotes

Quotes are obtained in various ways. When the Sealed Bid Process is used, however, a formal process is required.

1. Issuing an RFQ

An RFQ is generally used when the purchase of materials or services are low risk and less complex in design and scope.

a. Using the Maximo RFQ Application

The Buyer may use the Maximo RFQ tool to transmit the RFQ documents to Suppliers or initiate an event in Southern Company Sourcing (Emptoris). In competitive bid situations, the quotes shall be submitted by the bidders in accordance with the formal sealed bid process.

b. Using the Web-based Bid Management System

The Buyer may use the Southern Company Sourcing (Emptoris) tool, which facilitates the delivery of RFQ documents to bidders through the Internet. Bidders may use this tool to download bid documents, submit questions, view Buyer-supplied answers, and upload their quote responses. The tool also prevents access to bid submittals prior to the bid due date and time and provides a formal Sealed Bid Process.

c. Using E-mail, Mail, or Fax

The Buyer may request quotes via e-mail, mail, or fax, but all submissions from bidders must be received via a Sealed Bid Process.

4.3 Conduct Prebid Meeting, if Necessary

The Buyer may facilitate a prebid meeting if necessary to ensure the commercial terms and conditions and/or scope of the purchase/service is clear. If a prebid meeting is held, all bidders are required to attend.

4.4 Conduct Q&A Session, if Necessary

The Buyer may facilitate a formal question and answer session to clarify information for potential bidders. All technical and commercial questions submitted by bidders after the request for quote and prior to the bid submission shall be routed to the Buyer for response. The Buyer shall

obtain the appropriate response and provide both the question and response to all bidders. Questions during the bid process are typically not considered confidential and shall be made available to all bidders. In the event the bidder considers their question to be confidential, the Buyer may discuss it with the Business Unit and use his or her discretion or consult with SCM Management as required.

4.5 Safeguard and Delivery of Bids

The Supplier submits the sealed bid to the Records Management group, Southern Company Sourcing, or via a sealed bid process. The bids shall be kept sealed until all bids are received or until after the bid due date and time has passed. Use of Southern Company Sourcing is the recommended method for obtaining quotes, but the Buyer may instruct Suppliers to submit their quotes to the Records Management group or other sealed bid process via one or more of the following methods:

- United States Postal Service.
- Overnight Package (FedEx, UPS).
- Hand delivery.
- Fax.
- E-mail.
- Electronic Data Interchange (EDI).

Note: The Buyer shall not receive any quotes directly. All competitively bid quotes should be submitted as a sealed bid from the Supplier to the Records Management group or via Southern Company Sourcing. The Records Management group or Web-based bid management system shall retain the bids in the secured location until the due date and time has passed (or until all bids have been received), and then they will be made available to the Buyer.

A. Unresponsive Bidders, Late Bidders, and Bid Extensions

1. Addressing an Unresponsive Supplier

Any Supplier that fails to submit a quote is classified as an unresponsive bidder.

If a Supplier is unresponsive, the Buyer should use his or her judgment to determine whether to contact the Supplier. The Buyer should consider whether the following conditions exist when determining whether to contact an unresponsive bidder:

- The Supplier is an established Southern Company Supplier who has consistently won bids.
- A previous bid was awarded to the Supplier.
- A bid was awarded to the Supplier within the past year.
- Additional bidding competition is needed.

If the Buyer decides to contact the unresponsive Supplier, he or she should document the conditions for the unresponsiveness. To document an unresponsive supplier, the Buyer should add comments to the RFQ in Maximo or Southern Company Sourcing. Any submission made after the due date and time has passed should be handled as a late submittal.

2. Situations Where No Responses are Received

If all Suppliers are unresponsive, the Buyer must solicit new bids. The Buyer can contact the Requestor, review research sources, or contact other Southern Company sources for information about additional qualified Suppliers.

3. Late Submittals

Any quote or modification to a quote received after the due date is classified as a late submittal. The Buyer should reject all late quotes or modifications, except in the following circumstances:

- If the lack of timely receipt is solely because of documented technical issues with the Southern Company Sourcing system, a documented delay in the mail or wire services (situations where an alternative sealed bid method was approved), or to other delivery delays beyond the control of the bidder. In such cases where the delay is a result of delay in mail or wire services, or delays beyond the control of the bidder, the package must be clearly postmarked or otherwise date-stamped by the delivery service prior to the bid due date.
- If the late document is a formal confirmation of an e-mail accepted prior to the closing date (provided no price change exists).
- If the late document is a quote from a Sole Source Supplier.

Note: Acceptance of a late submittal or bid requires the approval of SCM Management.

a. Additional Factors to Consider for Late Submittals

Circumstances other than those listed above may arise that warrant the acceptance of a late quote. In such cases, the Buyer must obtain SCM management approval and ensure such acceptance will not jeopardize the integrity of the procurement action or create unfair advantage to any bidder.

Factors to consider are:

- The reasonableness of the due date.
- The cause of the delay.
- The number of quotes received relative to the number requested.
- Market and commodity conditions.

4. Extensions of Due Dates

Extensions of quote due dates should be granted uniformly to all Suppliers and confirmed in writing.

Personnel charged with receiving sealed bids should be notified in writing of any due date extensions.

Business Unit and/or SCM Management approval is required prior to extending a due date.

4.6 Review Bids

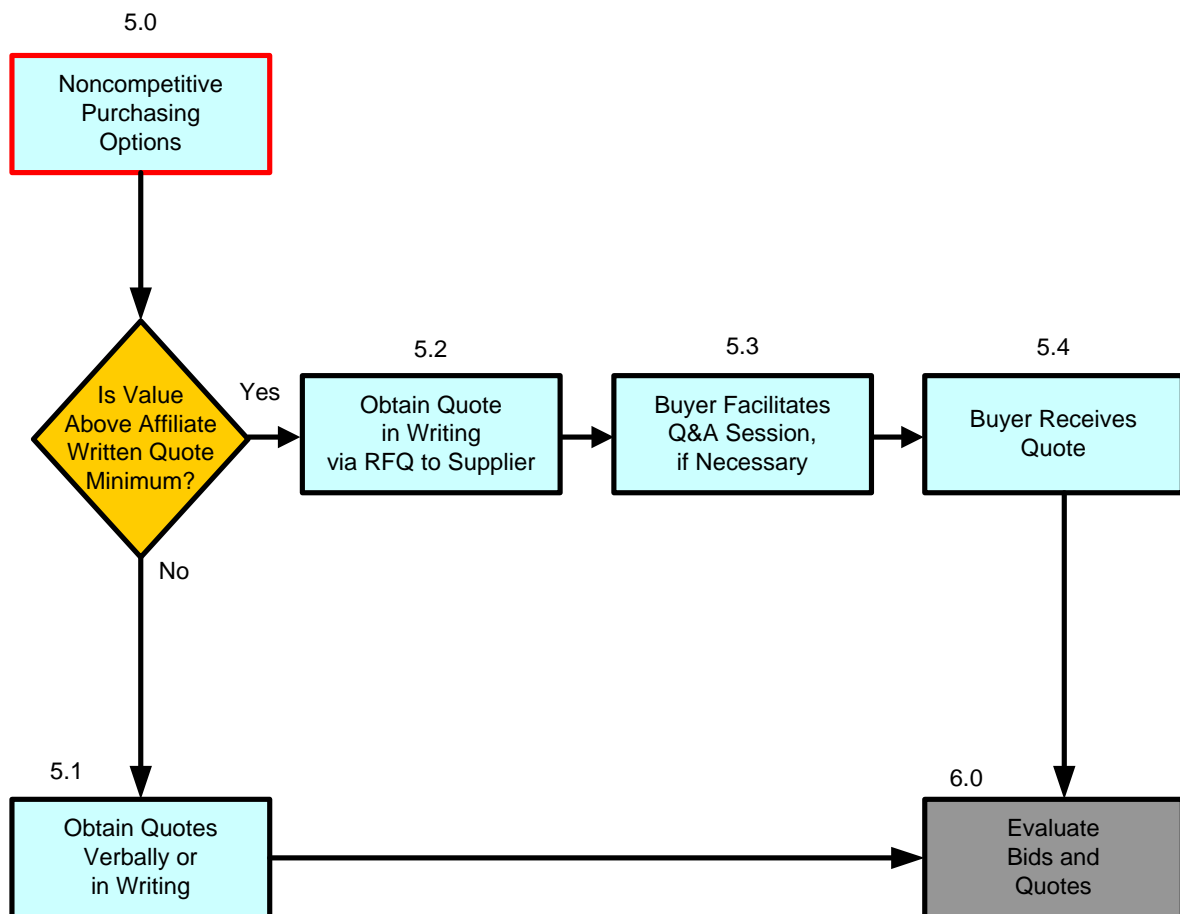
When the Buyer receives the bids, the review process will begin. All bid information is Confidential and should be handled accordingly by the Buyer. The Buyer will open and review the bids and prepare to evaluate them (see 6.0, Evaluate Bids and Quotes).

5.0 Use Noncompetitive Purchasing Options

When the purchase meets certain criteria, a noncompetitive purchasing option can be used. Except for certain situations, these transactions are generally low risk and low cost and can be processed much more efficiently using this method. However, these transactions should be documented as carefully as the competitive bidding transactions to facilitate effective tracking and management. In these situations, the Buyer should only be communicating with a single Supplier and the Sealed Bid Process would not be necessary.

All requirements for completion of a Sole Source Justification or other documentation as required should be supplied by the Business Unit with the appropriate approvals secured prior to the Buyer initiating a noncompetitive purchase.

Process Flowchart – Use Noncompetitive Purchasing Options



5.1 Obtain Quotes Verbally or in Writing

If the value is less than the Affiliate-determined threshold for written quotes, the Buyer has the option of obtaining quotes verbally or in writing. Verbal requests should follow the Verbal Quote procedure (see 3.2, Bid Considerations). All quotes should be carefully documented.

5.2 Obtain Quote in Writing via RFQ to Supplier

The Buyer should request a proposal from the Supplier in accordance with the Business Unit's Requisitions and associated technical specifications. If necessary, the Buyer should prepare and issue an RFQ to formalize the quote request process.

5.3 Buyer Facilitates Q&A Session, if Necessary

The Buyer may facilitate a question and answer session with the Supplier, if necessary, to ensure the commercial terms and conditions and/or scope of the purchase is clear.

5.4 Buyer Receives Quote

The Buyer will then receive the quote. (See 6.0, Evaluate Bids and Quotes.)

6.1 Collect Supplier Bids and Data

The Buyer collects all the bids and any other data available (technical drawings, information, and so on) and compiles into a bid tabulation sheet as necessary.

6.2 Send Information to Business Unit, as Needed

In some situations, the Buyer may send a copy of the bids to the Business Unit so the Buyer can get its input on the bids. The Buyer should communicate to the Business Unit that all bid information is Confidential and should be handled accordingly.

6.3 Obtain Business Unit Recommendation

When bid information is sent to the Business Unit for review, the Business Unit should provide a response on which bidders meet the technical requirements of the RFQ and which bidder is recommended for award based on a technical evaluation of the submissions.

6.4 Conduct Other Research, as Needed

After reviewing the bids, the Buyer may conduct other research as necessary to clarify or verify bid information.

6.5 Perform a Commercial Evaluation

The Buyer, using the bid information and input from the Business Unit as needed, conducts a commercial evaluation of the bid. This may be informal or formal.

The commercial evaluation will depend on the type of materials or services being offered. **The Buyer's experience and knowledge are critical in the evaluation process. The Buyer should seek guidance from SCM Management as needed.**

A commercial evaluation should focus on the commercial aspects of the Bidder's submitted bid and any new information that may have been discovered since the RFQ was issued. The Supplier may have taken exceptions to the commercial requirements that will need to be evaluated by the Buyer. There may also be concerns over the validity of the Supplier's schedule and his or her capability to fulfill the request, or other issues such as discrepancies between Supplier proposals and Buyer expectations. This evaluation is largely discretionary and requires that the Buyer carefully review the materials and services to be provided and the Supplier's proposal to provide these in the time frame requested. In these situations, the Buyer should identify any potential inconsistencies or areas of concern and work with the Business Unit to determine how to proceed. If the Buyer has become aware of new information concerning any commercial aspects of the Supplier, the Buyer should investigate those thoroughly to ensure no potential issues exist that might prevent considering the Supplier.

For concerns about the Supplier's ability to either meet the requirements of the RFQ or the contents of the bid, the Buyer may request additional information from the Supplier or obtain assurances in the form of guarantees or warranties.

Note: The commercial evaluation differs from the technical evaluation. When required, the Business Unit would perform a technical evaluation to ensure the Supplier can meet the technical requirements of the RFQ (see 6.2 and 6.3).

6.6 Identify Potential Commercial Risk

During the evaluation, the Buyer may identify commercial risk factors that could potentially place Southern Company in an undesirable position of risk or liability. It is incumbent upon the Buyer to identify these factors and mitigate them as needed. The Buyer may consult Legal, Accounting Research, and/or Risk Management as needed.

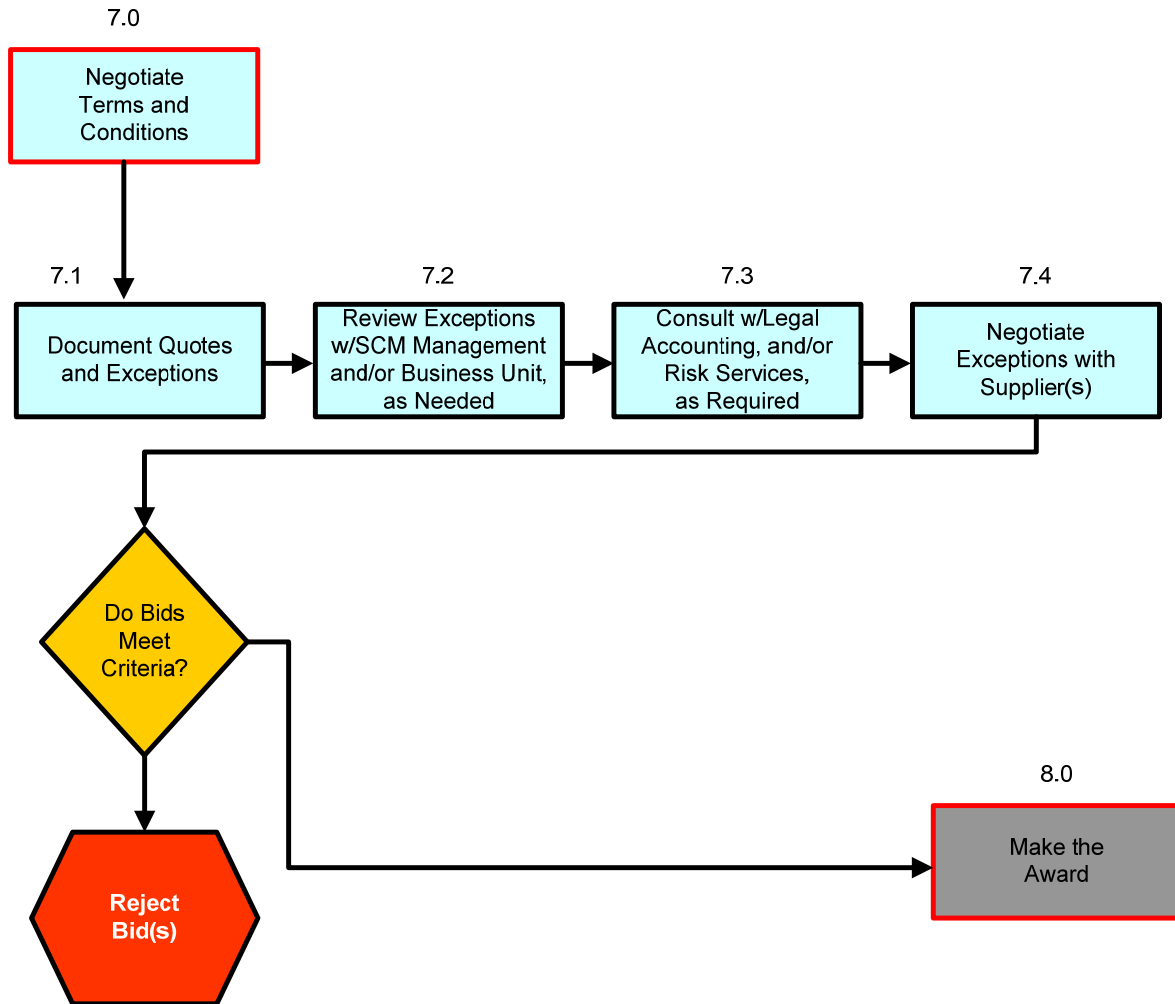
6.7 Consider or Reject Bids

After the commercial and technical evaluations are complete, the Buyer will work with the Business Unit, as needed, to determine which bids to consider or reject. If the commercial and/or technical aspects of any of the Supplier's bid submissions will not meet the requirements of the RFP, the Buyer should consider rejecting the bid(s). The Buyer should notify the Business Unit prior to rejecting any bids. The Buyer should consult with SCM Management as needed. The Buyer should document the reason why any bids are rejected and the documentation should be included within his or her records file. The Buyer may negotiate certain nonprice aspects of the bids being considered, such as freight or delivery, as well as other contract terms and conditions, within 7.0, Negotiate Terms and Conditions, of this process.

7.0 Negotiate Terms and Conditions

Negotiations for terms and conditions should not include negotiation of price without management approval. In noncompetitive bid situations, the Buyer should follow the process flow as necessary.

Process Flowchart – Negotiate Terms and Conditions



7.1 Document Quotes and Exceptions

All bids resulting from the previous stage of this process (6.0, Evaluate Bids and Quotes) will ultimately be awarded based on best overall value by determining the lowest evaluated bid. This allows any identified commercial or technical issues to be factored into the final evaluation. For the bids being considered, the Buyer will need to document any exceptions and determine if negotiations will be necessary.

7.2 Review Exceptions with SCM Management and/or Business Unit, as Needed

The Buyer may need to review the exceptions and/or any remaining commercial and/or technical issues with SCM Management and/or the Business Unit prior to initiating the negotiations to determine an acceptable resolution for each. Any negotiations with Suppliers must be coordinated through the Buyer. Any questions concerning the appropriateness of negotiating should be discussed with SCM Management.

7.3 Consult with Legal, Accounting, and/or Risk Management, as Required

If Legal, Accounting, and/or Risk Management issues are identified, the Buyer will consult with the appropriate departments. The Buyer should consult SCM Management prior to obtaining any assistance by external resources, as requests processed through this module should not meet the established criteria for legal review or accounting review defined within the Contract Guidance Manual (Module 6). In the event a request does meet this criteria, the Buyer should consult with SCM Management prior to proceeding. In this situation, either SCM Management or a Contract Agent may be required to assist with obtaining the required legal and/or accounting review(s).

7.4 Negotiate Exceptions with Supplier(s)

The Buyer will coordinate the negotiation and resolution of both technical and commercial exceptions. This may involve Business Unit management as well as SCM Management input. The Buyer may also include Legal, Accounting, and/or Risk Management as necessary within the negotiations process.

As a general rule, negotiations/discussions may take place with the lowest evaluated bidder to address differences in terms and conditions, extraordinary pricing gaps, technical issues, and other value added options. The Buyer should note that no negotiations concerning pricing should be entered into without prior approval by SCM Management.

In some situations, it may be determined that negotiations are necessary with more than one bidder to yield the most favorable results. Under these circumstances, the Buyer must not create a situation that gives an unfair advantage to any bidder. The Buyer should manage and document all correspondence with the Suppliers during negotiations. All technical questions should be documented and communicated to all Suppliers. The Buyer should inform the Business Unit that all Supplier information should be kept in strict confidence.

Upon completion of negotiations, the Buyer should have reached initial agreement on the terms and conditions with a bidder. If the Buyer is unsuccessful in reaching an agreement with a

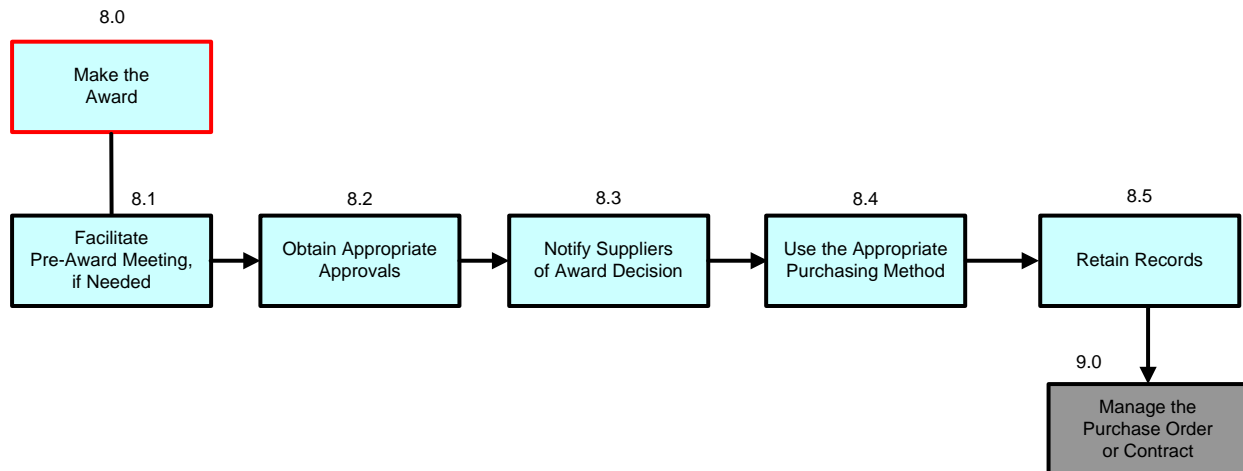
bidder, then all bids may be rejected. In situations where awards to more than one bidder are required, the Buyer should document accordingly.

8.0 Make the Award

The Buyer uses the results of the evaluations and negotiations and his/her experience to make the award recommendation to the Business Unit. Prior to an award, Southern Company may conduct a Legal, Accounting, and/or Risk Management review if necessary. This ensures that the following:

- The purchase will be properly recorded for accounting purposes.
- The purchase will be made in accordance with Southern Company standards.
- Southern Company is compliant with the latest accounting and legal laws and regulations.
- The appropriate risk mitigation has been enacted.

Process Flowchart – Make the Award



8.1 Facilitate Pre-Award Meeting, if Needed

In some situations, a pre-award meeting may be necessary to discuss performance expectations, compliance issues, or any other anticipated issues as well as to clarify the parties' understanding regarding the scope of work and Supplier's quote, and any other details that should be clarified prior to the award.

8.2 Obtain Appropriate Approvals

In competitive bid situations, awards are generally based on the lowest evaluated bid. If the Business Unit selects a Supplier other than the low bidder, the decision will require Business Unit Management approval as well as the appropriate justification documented within the records file. The Buyer should involve SCM Management when deemed appropriate. The award recommendation should be approved by Business Unit Management prior to notification of Suppliers, except for Priority 1 and 2 Requisitions, which may be reviewed and approved after issue.

8.3 Notify Suppliers of Award Decision

In competitive bid situations, the Buyer should notify Suppliers of the award decision in accordance with the following:

A. Notification of the Successful Bidder

Formal notification is sent to all bidders informing them of the successful bidder in the following circumstances:

- For all purchases more than \$100,000.
- In other situations as the Buyer deems appropriate.

B. Notifying Unsuccessful Bidders

In certain circumstances, the Buyer may notify unsuccessful bidders. The Buyer should never disclose the dollar value of an award, but may indicate to unsuccessful bidders where they ranked in the bid evaluation:

- First place, second place, and so on.
- Not competitive.

8.4 Use the Appropriate Purchasing Method

In most instances, the Buyer will issue a PO or Release to authorize the Supplier and complete the award. For situations where alternatives to a PO are required, the Buyer may use the Southern Company Procurement and Payment Guidelines to determine the appropriate purchasing method (**Note: All purchases including services shall be made in accordance with the Contract Guidance Manual**). When a PO or Release is issued for services, the Buyer shall adhere to the following:

A. POs or Releases for Services

All "service"-type lines on POs or Releases shall be setup for a two-way match invoice approval process. To setup a line for this process, the Buyer must ensure the "Receipt

Required?" checkbox is not checked. This box is located in the line item region of the line on the PR Lines tab of the PO.

8.5 Retain Records

Records should be carefully maintained over the course of the procurement process. Within 30 days of issuing the PO/Release, the Buyer will file all required SCM documentation in accordance with Affiliate-specific procedures or scan and upload into Documentum via Maximo. This includes RFQs and any other supporting documentation.

Buyers shall use the Documentation Checklist as guidance to ensure the appropriate documentation is retained.

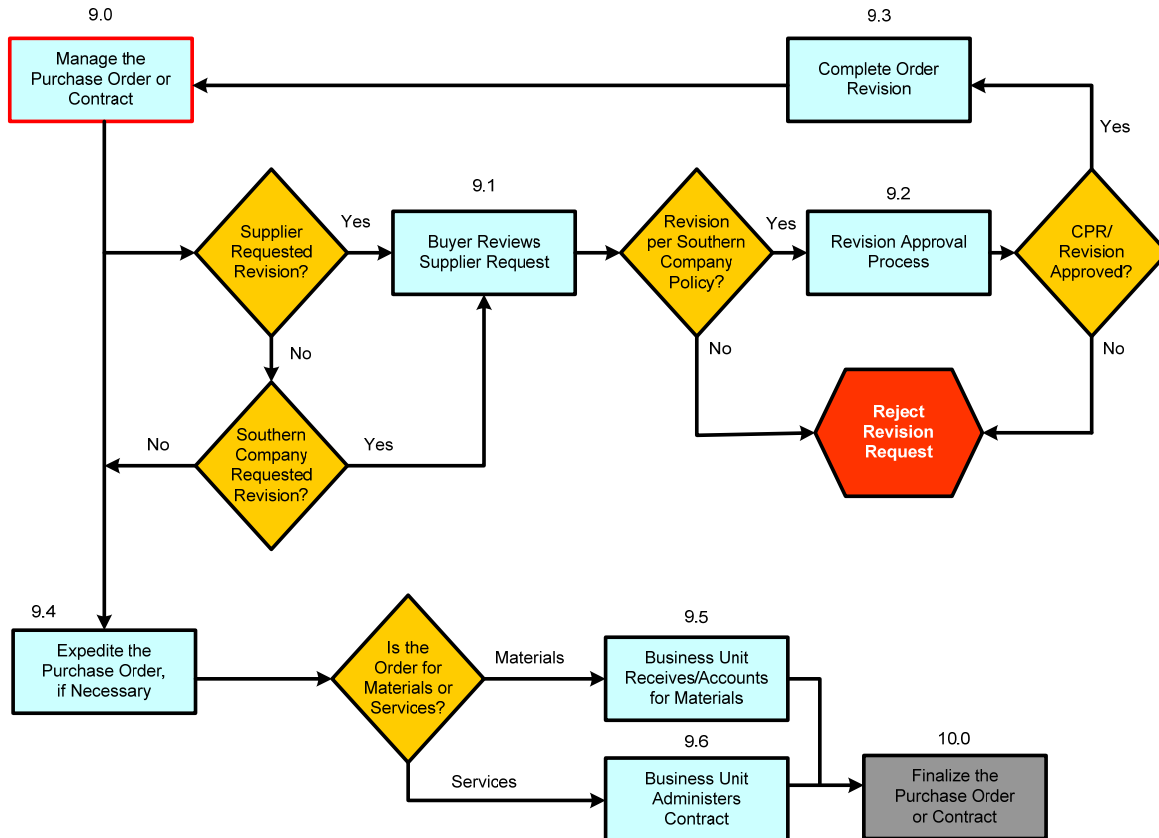
To comply with Small Business Association (SBA) requirements for small business concerns documentation, an Award Summary must be completed within Maximo for POs, Releases against Convenience Contracts, and Maximo Contracts issued with a value greater than \$150,000.

9.0 Manage the Purchase Order or Contract

After the PO and/or Contract has been awarded, the Buyer may use the Revision process to make changes to the documents as needs change or circumstances dictate.

The Business Unit is responsible for Contract Administration and Supplier Compliance after the PO has been issued. The Buyer will support the Business Unit in contract administration as necessary.

Process Flowchart – Manage the Purchase Order or Contract



9.1 Buyer Reviews Supplier Request

Revisions are used to modify existing POs or Contracts. They are prepared to change technical specifications or commercial aspects of the PO such as additions and modifications to commodities, descriptions, quantities, comments, and so on. Prior to performing a Revision, the Buyer should review any change and determine if it may affect an associated Contract. If the change could impact a Contract, the Buyer should contact the appropriate Contract Agent to determine how to proceed.

Revision requests may be initiated either by the originating department or SCM. In the event a PO has not yet been issued, the request for Revision may be used to modify a Requisition.

The Revision process ensures changes are tracked and documented in PO History and any changes to PO lines or values are reviewed and approved before the purchase is made.

9.2 Revision Approval Process

A. Processing a Revision

After a PO has been approved and sent to the Supplier, no changes can be made to the record as long as it remains in approved (APPR) status. The only way to change the record is to make a formal Revision of the PO in Maximo. If the Revision will not affect the value of the PO in any way, the Buyer creates the Revision and makes the appropriate changes. After changes are complete, the Buyer saves and routes the PO for approval again and sends changes to the Supplier as required. Maximo, in turn, updates the PO record, updates the Revision number, and records the changes on the PO History tab.

B. Processing a CPR

If the change affects dollar amounts or values, the revision must be made in coordination with a Change Purchase Requisition (CPR). A CPR must be created and approved by the requestor prior to the Revision and the Buyer then copies the new or changed CPR lines to the PO as part of the Revision process described above.

C. Converting the CPR to a Revision

Requestors may request changes to line items or the entire document. Requestors initiate the CPR within Maximo or via e-mail to the Buyer. In most cases, the requestor will be responsible for initiating the CPR in Maximo. If the Buyer initiates the CPR on behalf of the requestor, the Buyer should route the CPR to the requestor's workflow for approval.

After the Buyer receives the approved CPR from the Business Unit, the Buyer reviews the details and uses the CPR to populate the data for the Revision.

To process a revision, the Buyer:

- Reviews the CPR to determine the type of change needed.
- May compare the CPR to the original PO.
- Copies the CPR lines to the PO.
- Routes the PO for approval and follows the normal PO/Contract approval workflow.

9.3 Complete Order Revision

After the Revised PO is approved, the PO is sent to Oracle for recordkeeping. Historical information about the -1 Revision is kept on the PO and is visible on the History tab of the PO application.

9.4 Expedite the Purchase Order, if Necessary

Expediting is performed on a large percentage of all orders placed by SCM. Expediting is generally performed on Priority 1 and 2 orders, on all unexpected Emergencies, and on major equipment orders. Unexpected Emergency situations are identified by telephone or written memos from the Business Unit or Buyer. Major equipment orders are identified by direct notification from SCM. The Buyer should use his or her discretion on expediting select Priority 3 or 4 orders.

Buyers should notify Suppliers when materials or services require expediting. The Contract Administrator and/or the Buyer is responsible for notifying the Site of any changes in shipping schedules that affect delivery and to update the Maximo system with correct shipping information.

If special shipping arrangements are required to meet delivery dates, the Buyer will coordinate all special instructions to both the Supplier and the user department.

All pertinent information should be documented by the Contract Administrator and/or the Buyer in the internal comments section of the PO.

9.5 Business Unit Receives and Accounts for Materials

On orders where a receipt is required, the Business Unit will be required to document the receipt of material and/or services provided under the PO/Release within Maximo. If a receipt is not required, the Business Unit will approve invoices via a two-way match process in Oracle. The Business Unit is responsible for retaining all required supporting documentation for this process.

9.6 Business Unit Administers Contract

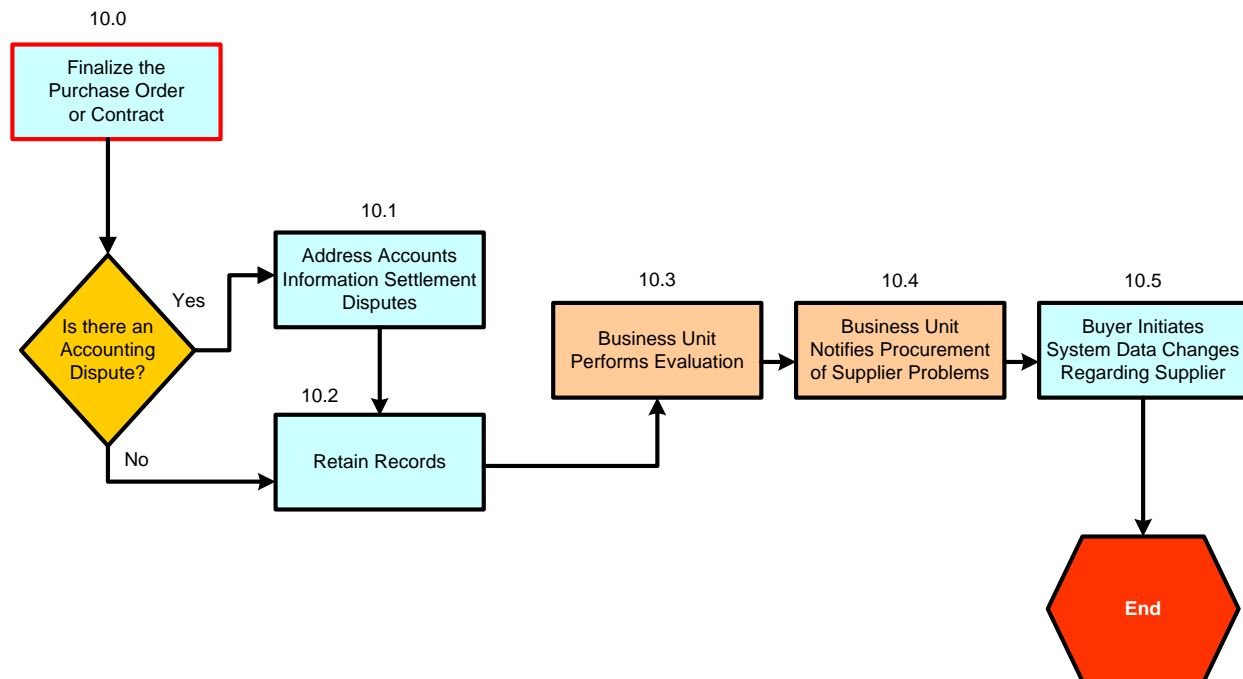
On orders for services, the PO or Release should be issued as a two-way match. This requires the Buyer to ensure the "Receipt Required?" checkbox is not checked on the PO prior to issuance in Maximo.

10.0 Finalize the Purchase Order or Contract

The Buyer, Accounting department, and Business Unit must work together to ensure POs are finalized in Southern Company information systems. A PO is considered complete when:

- All materials have been received in good order or services have been performed to specifications.
- Payment has been made for the goods or materials.
- Cost savings/cost avoidances have been documented, as applicable.

Process Flowchart – Finalize the Purchase Order or Contract



10.1 Address Accounts Information Settlement Disputes

The Buyer may be required to facilitate resolution to accounting disputes. Accounting, SCM, and the Business Unit should become involved in the process as necessary.

10.2 Retain Records

Records should be carefully maintained through the completion of an order. The Buyer is responsible for ensuring all required SCM documentation is filed in accordance with Affiliate-specific procedures or scanned and uploaded into Maximo. This includes any changes or revisions and any other supporting documentation over the life of the order.

10.3 Business Unit Performs Evaluation

The Business Unit has the ability to provide and complete performance evaluations documenting Supplier performance at the completion of the order in Maximo.

10.4 Business Unit Notifies Procurement of Supplier Problems

The Business Unit should notify the Buyer immediately if any issues or problems arise with a Supplier.

10.5 Buyer Initiates System Data Changes Regarding Supplier

If the Buyer identifies any required changes to the Supplier data through the completion of the order, the Buyer should work with the Supplier Maintenance Team to have the Supplier record changed within the Southern Company Supplier System.