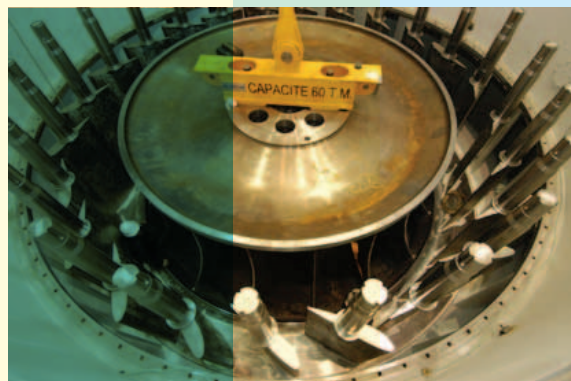


Doing Business with Hydro-Québec



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How to Reach Us

Ordering or Consulting Requests for Proposals

Our Montréal office is open
Monday through Friday
from 9 a.m. to 4 p.m.
RFP documents are available
for consultation on the
premises upon presentation
of a valid ID.

Bureau des soumissions
800, boul. de Maisonneuve Est
2^e étage, bureau 2-007
Montréal (Québec) H2L 4M8
Telephone: 514 840-4903
Toll-free: 1 800 324-1759
Fax: 514 840-3834
E-mail: bureaudessoumissions@hydro.qc.ca

RFP documents can also be consulted
by appointment in a Hydro-Québec
office located in the region or
regions concerned.

General Inquiries

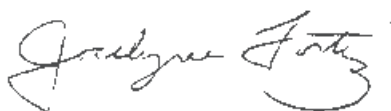
Info-Acquisition line
1 866 597-4111
infoacquisition@hydro.qc.ca

A Word from the Director – Procurement

The main purpose of this brochure is to provide suppliers key information about how to do business with Hydro-Québec and its acquisition of goods and services. Intended for suppliers who wish to offer their goods and services to Hydro-Québec, this brochure is a quick reference covering the basics of our business process.

Supplier participation is a key factor in achieving our profit objectives. With this and continuous improvement in mind, Hydro-Québec increasingly considers the total cost of a good or service. This approach makes it possible to analyze all costs associated with a good or service during its life cycle. Where applicable, Hydro-Québec also specifies its sustainable development requirements so that due consideration is given to preserving the environment and natural resources. In addition, the procurement team continues to consolidate the company's needs in order to optimize the advantages linked to its buying power. It also contributes to the stability of certain suppliers by signing long-term contracts. Finally, the procurement team is pursuing its efforts to facilitate its relations with suppliers by making greater use of the Internet, such as for on-line requests for proposals and access to electronic documentation.

This brochure is part of our effort to establish harmonious, dynamic and lasting relations with Hydro-Québec's suppliers of goods and services.



Jocelyne Fortin
Director – Procurement

Hydro-Québec generates, transmits and distributes electricity. Its sole shareholder is the Québec government. It uses mainly renewable generating options, in particular large hydro, and supports the development of other technologies—such as wind energy, biomass and small hydro—through purchases from independent power producers. It also conducts R&D in energy-related fields, including energy efficiency.

Introduction

Hydro-Québec operates in an environment of rapidly changing markets that hold as many challenges as opportunities. In this context, it is determined to maintain a business focus in the management of its activities. That is why it has set targets for sustained growth and profitability.

The Direction – Acquisition [procurement] is responsible for providing directions, strategies and services for the acquisition of goods and services. It spares no effort to ensure that its activities are in line with Hydro-Québec’s growth and profit objectives. The efforts made in the acquisition of goods and services to achieve these objectives are based on Hydro-Québec’s needs and on knowledge of the products and suppliers, and have resulted in the application of best business and management practices.

In accordance with the corporate policy entitled *Nos acquisitions de biens meubles et de services et les conditions des contrats* [in French only], these practices are intended to enable the company to procure quality goods and services at the best cost and at the appropriate time and location, while maximizing economic spin-offs in Québec.

To meet the challenges of the coming years, Hydro-Québec must count on the skills and know-how of all its suppliers of goods and services. That is why, whether for recurrent or short-, medium- or long-term needs, Hydro-Québec works with suppliers renowned for their performance and ability to satisfy its requirements.

Hydro-Québec's Rules of Ethics

To ensure equitable treatment of suppliers, Hydro-Québec and its employees have made a commitment to:

- perform their duties in accordance with laws and regulations, corporate guidelines and other rules of ethics specific to a given situation;
- refuse to conduct dealings, sign agreements or take any other action that is contrary to the guidelines governing their activities or the rules of good management and proper conduct;
- show courtesy, diligence, good faith and fairness toward the company's employees, customers and suppliers, as well as any other person who has dealings with Hydro-Québec;
- avoid conflicts of interest and all situations that could create conflicts of interest.

Quality at Hydro-Québec

Quality is one of Hydro-Québec's main concerns and is the subject of constant efforts and monitoring. The company applies the quality approach in the management of its activities with a view to continuous improvement.

This management approach obviously requires the active participation of suppliers and their contribution to Hydro-Québec's efforts to maintain its activities at a high level of quality and project an image that corresponds to this reality. In that context, Hydro-Québec takes all measures necessary to ensure the quality of the goods and services it acquires and the continuous improvement of its procurement practices. To gain access to Hydro-Québec's markets, suppliers of goods or services that are considered to be strategic or significant to its core mission or corporate image must usually have an ISO 9000 quality system approved by a duly accredited organization.

More specifically, goods and services related to Hydro-Québec's core mission are those directly needed to generate, transmit and distribute electricity.

They are highly specialized and must be extremely reliable.

Hydro-Québec ensures rigorous, efficient management of mechanisms related to acquiring the goods and services it needs to carry out its core mission and day-to-day operations.

The principles it applies are based on the corporate policy on the acquisition of goods and services and contract conditions and are designed to guarantee fair and confidential treatment of suppliers while avoiding conflicts of interest. The information in the following pages describes the various aspects of this process, including supplier qualification, procurement methods, submission of bids, contract awards, quality control and performance evaluation.

Acquisition of Goods and Services

Supplier Qualification

To obtain quality goods and services with continuous improvement in mind, Hydro-Québec has implemented a procedure that helps ensure the quality of its suppliers and their capacity to meet its needs.

The supplier qualification process is only applied when it adds value. Generally speaking, any supplier of a good or service that is considered to be strategic or significant to Hydro-Québec's core mission or corporate image is subject to the qualification process. A supplier of a good or service required for day-to-day operations may also be subject to the process.

Hydro-Québec qualifies suppliers based on their products, according to technical, economic, financial, commercial and environmental factors and in terms of safety, performance and quality management. The qualification process also includes the certification of strategic products.

The status of all qualified suppliers is reviewed periodically using information from the supplier performance evaluation system and other mechanisms in place at Hydro-Québec.

Contract Awards

Hydro-Québec generally favors procurement methods that encourage competition among suppliers. Suppliers are divided into two categories: those that supply professional services, and those that supply goods and services (other than professional).

Professional Services

Professional services are defined as activities that involve work of an intellectual or conceptual nature whose result is submitted to Hydro-Québec in the form of reports, recommendations, studies, designs, specifications and other creative work. They are usually consulting services in the following areas of expertise: architecture, construction engineering, quality control, environment, geomatics, surveying, information technology, engineering and related services, materials engineering, laboratory testing, management, and other areas of professional expertise needed by the company to conduct its business.

- **Procurement methods**

Professional services are acquired following a method determined by the specific expertise required.

Usually, when acquiring professional services worth more than \$50,000 and involving a specific expertise that is less relevant to Hydro-Québec's core mission, Hydro-Québec uses a selective request for proposals.

When acquiring professional services involving a specific expertise that is significant to achieving its core mission, Hydro-Québec manages and maintains outside expertise by planning its needs and distributing contracts among qualified suppliers according to the nature and scope of the required expertise, regardless of the value of the acquisition. This procedure provides Hydro-Québec with continuous expertise.

- **Contract negotiation**

Regardless of the procurement method, all contracts for professional services are subject to negotiations based on Hydro-Québec's business practices. The negotiations deal with the mandate, work methods, project schedule, team organization, personnel qualifications, cost, and payment conditions.

Goods and Services (Other Than Professional)

Goods and services (other than professional) are acquired in one of the following ways:

- **Open request for proposals***

Hydro-Québec generally uses an open request for proposals (RFP) in the case of goods or services having a value of more than \$100,000. Bid bonds and performance bonds are generally required and, if need be, the company may also require a bond on the payment of labor, materials and services.

Open RFPs are available online at http://www.hydroquebec.com/soumissionnez/en_cours_f.html.

In resource regions of Québec, Hydro-Québec may issue an RFP that is only open to suppliers based in the region for an acquisition of less than \$1 million, provided there is sufficient competition.

Québec's resource regions are as follows:

Bas-Saint-Laurent (01), Saguenay–Lac-Saint-Jean (02), Mauricie (04), Abitibi-Témiscamingue (08), Côte-Nord (09), Nord-du-Québec (10) and Gaspésie–Îles-de-la-Madeleine (11).

- **Closed request for proposals and negotiation by mutual agreement**

These procurement methods are aimed at suppliers who are deemed capable of meeting Hydro-Québec's needs and who have passed the qualification process, if required. The RFP is issued by mail, by fax or by e-mail. In some cases, Hydro-Québec may opt for negotiation by mutual agreement.

No bid bonds, performance bonds or payment bonds are usually required for closed RFPs concerning the acquisition of goods. For acquisitions of services and the installation and supply of goods related to its core mission worth more than \$100,000, even in the case of closed RFPs, Hydro-Québec generally requires bid and performance bonds and, where necessary, bonds on the payment of labor, materials and services.

* In RFPs, Hydro-Québec reserves the right to negotiate the elements of proposals submitted by one or more suppliers or to accept the proposals as they are.

Guarantees Required

Bid bond	The bid bond confirms that the supplier, if selected, is willing to fulfill the offer made in response to the RFP. The supplier authorizes Hydro-Québec to compensate itself if the supplier withdraws its bid during or after the opening of proposals, or if the supplier fails to provide the guarantees or insurance policies or certificates required in the RFP documents within the time frame stipulated by Hydro-Québec.
Performance bond	The performance bond provides a guarantee by compensating Hydro-Québec if the selected supplier fails to carry out the contract.
Payment bond	In the case of a construction contract, the payment bond compensates the contractor's workers, subcontractors and suppliers of materials and services if the contractor should fail to pay them.

Submission of Bid

Bids must be received at the address, fax number or e-mail address indicated in the RFP documents no later than the specified date and time.

Contract Award

Only suppliers qualified according to Hydro-Québec's specific rules in the area of expertise concerned or according to the requirements specified in the RFP document are eligible to be awarded a contract. The supplier must also hold all permits and authorizations required under the applicable laws and regulations in effect. In general, suppliers of goods and services related to the core mission must hold a valid registration certificate in accordance with the ISO 9000 quality assurance model stated in the contract.

Quality Assurance and Control

Hydro-Québec has implemented procedures intended to manage and control the quality of goods and services it acquires in accordance with its quality requirements. In some cases, inspections intended to ensure respect for the requirements specified in a contract are carried out with certain suppliers of goods and services. These inspections are made by Hydro-Québec's own quality experts or by specialized firms hired by the company.

Sustainable Development

Committed to the principles of sustainability, Hydro-Québec has undertaken to inform its suppliers of the sustainable procurement criteria it has established where applicable with a view to preserving the environment and natural resources.

Supplier Performance Evaluation

All suppliers who have delivered goods or services having a significant impact on Hydro-Québec's core mission or corporate image are subject to a performance evaluation according to criteria set out in the contract. The purpose of the evaluation is to measure the supplier's level of performance in fulfilling the contract obligations and in all aspects of the supplier's business dealings with Hydro-Québec. Suppliers are regularly informed of the results of their evaluation. The company uses the results as a basis for future procurement decisions or to ensure continuous improvement.

www.hydroquebec.com

Direction – Acquisition
Direction principale – Centre de services partagés
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