



Vendor Selection Policy



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Statement of Policy

Conducting the Company's daily business and operations requires the purchase of Goods and Services. It is the policy of the Company to procure Goods and Services in a prudent, consistent, cost-effective manner reflecting the vision, mission and values of the organization.

Objective

The Company adheres to the requirements of this Policy to ensure:

- A. Employees prudently evaluate the quality of Goods and the competency of Vendors performing Services prior to entering into contractual arrangements.
- B. Employees maximize the purchasing power of the Company and procure Goods and Services at cost-effective prices by issuing an RFP/RFQ when required by this Policy, or otherwise document the basis for the procurement decision when circumstances do not warrant a competitive solicitation.
- C. Employees conduct procurement activities in a consistent manner and retain appropriate records to support decisions to select Vendors, Goods and Services.

Scope

This Policy applies to the selection of Vendors and procurement of all Goods and Services.

Definitions

- A. **Company.** The term "Company" refers to NorthWestern Energy Group Inc., NorthWestern Corporation d/b/a NorthWestern Energy, NorthWestern Energy Public Service Corporation d/b/a NorthWestern Energy and their subsidiaries and affiliates.
- B. **Emergency.** An "Emergency" is any situation that poses an immediate risk to health, life, property or the environment and action is required to prevent injury, property damage or a risk of harm. Specifically included within the definition of an Emergency is the safe and orderly restoration of electrical and gas generation, transmission and distribution facilities.
- C. **Goods.** "Goods" are tangible items such as materials, equipment and supplies.
- D. **Ordinary Course of Business.** A procurement of Goods or Services in the "Ordinary Course of Business" occurs regularly, routinely and as a necessary element of conducting business; provided that any orders with a value in excess of \$500,000 are not within the Ordinary Course of Business.
- E. **Policy.** The "Policy" is this Vendor Selection Policy.
- F. **RFP/RFQ.** A "request for proposals" or "request for quotations" is a competitive solicitation process to evaluate Goods and/or Services from multiple Vendors.



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- G. **Services.** “Services” are contractual arrangements for services, professional services and construction work.
- H. **Strategic Alliance Vendor.** A “Strategic Alliance Vendor” is a Vendor designated by the Company as a primary supplier of Goods or provider of Services after completion of an RFP/RFQ, upon commencement of the relationship, and at least every third year unless an extension is approved by the Vice President responsible for the specific area of operations. A Vendor cannot qualify as a Strategic Alliance Vendor without the approval of the appropriate Vice President and the Chief Financial Officer.
- I. **Supply Chain.** “Supply Chain” means the functional area of the Company responsible for (i) administering contractual arrangements for Services and the procurement of certain Goods such as major equipment and hardware/software and (ii) creating and administering purchase orders for the procurement of Goods.
- J. **Vendor.** A “Vendor” is a manufacturer, supplier or distributor of Goods or the provider of Services.

Procurement Requirements

A. Competitive Solicitations

1. An RFP/RFQ is required for the procurement of all Goods and Services if the Company's financial commitment is anticipated to exceed \$250,000. Each RFP/RFQ requires a minimum of 2 Vendors qualified to deliver Goods or Services. If an RFP/RFQ is required and fewer than 2 Vendors respond, a Vendor Selection Justification Form must be completed.
2. The applicable Company department or area of operation procuring Goods or Services has primary responsibility for (i) creating specifications and conducting the RFP/RFQ, (ii) evaluating the quality of Goods and competency of Vendors, and (iii) preparation of the Vendor Selection Justification Form.
3. Supply Chain is responsible for (i) providing support services, including general guidance, evaluation criteria, standardized templates and assistance in developing the RFP/RFQ, and (ii) collecting and retaining the Vendor Selection Justification Form and appropriate documentation.

B. Exceptions. The following are exceptions to requirement of competitive solicitations:

1. Responding to an Emergency.
2. A Company employee at a Vice President-level or above determines an RFP/RFQ is not in the best interests of the Company. Justification includes unavailability of qualified Vendors, administrative cost, specialized experience, business disruption and arrangements with original equipment manufacturers.
3. Goods or Services procured from a Strategic Alliance Vendor in the Ordinary Course of Business.



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4. Software license and maintenance agreement renewals governed by the Technology Acquisitions, Moves, and Disposal Policy.
5. Energy Supply contracts governed by the Energy Risk Management Policy.
6. *Pro forma* contracts governed by the Federal Energy Regulatory Commission or other governing agency.
7. Financial arrangements governed by the Investment Policy.
8. Legal engagements approved by the General Counsel and governed by the Company's Outside Counsel Billing Guidelines.

Exceptions within categories (1) and (2) must be documented by the completion of a Vendor Selection Justification Form. Exceptions within category (3) will be documented by the completion of a Vendor Selection Justification Form for transactions outside of the Ordinary Course of Business (including all orders in excess of \$500,000). Regardless, each area noted as an "exception" must adhere to Company procedures ensuring that necessary controls are in place to address the service level, quality and price considerations related to selection of Vendors.

- C. **Existing Policies.** The procurement of all Goods and Services must comply with established Company policies, including but not limited to the NorthWestern Energy Expenditure Approval Guidelines and the Code of Conduct and Ethics.

Miscellaneous Provisions

- A. **Compliance.** All employees **are** expected to comply with this Policy. Failure to do so may result in disciplinary action, including but not limited to termination.
- B. **Applicability.** Nothing in this Policy restricts or impairs the ability of a department or functional area of the Company to implement procurement controls and procedures more restrictive than those established by this Policy.
- C. **Policy Administration.** This Policy may be changed at any time, and interpretation of each requirement is solely within the discretion of the Company. Supply Chain is responsible for reviewing this Policy annually to ensure continued applicability.
- D. **Policy Amendments.** Amendments require the consent of employees at the level of those approving this Policy. Revisions to the Vendor Selection Justification Form require the approval of the General Counsel and the Chief Financial Officer.

Corporate Policy Provisions

- A. Nothing in this policy is intended to limit an employee's rights under the National Labor Relations Act (NLRA).



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- B. If any of the provisions of this policy conflict with federal or state law, the provisions of the federal or state law prevail.
- C. If any of the provisions of this policy conflict with those of a collective bargaining agreement (CBA) for covered employees, the provisions of the CBA will prevail.
- D. All employees are expected to comply with this policy. Failure to do so may result in disciplinary action up to and including termination of employment.
- E. The existence of this policy does not create a contract or vested right of employment implied or otherwise. NorthWestern Energy is an at will employer in South Dakota, Nebraska, and Wyoming.
- F. NorthWestern Energy reserves the right to amend, terminate, or otherwise modify this Policy at any time. The effect of any amendment or modification, however, will be prospective, not retroactive.

Additional Resources

- Code of Conduct and Ethics
- Contracting Policy
- Employee Discipline Policy
- Energy Risk Management Policy
- Expenditure Approval Policy and Guidelines
- Procurement Card / Expense Reimbursement Policy
- Records Management Policy
- Related Persons Transactions Policy
- Technology Acquisitions, Moves and Disposal Policy

Appendix

- Vendor Selection Justification Form