



Contracting Best Practices

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**An Aberdeen report states
“Industry estimates are that
30% to 70% of negotiated
savings are lost due to poor
contract management and
non-compliance”**

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CONTRACTING BASICS

5 Quick hit recommendations for better contracting

1. Avoid signing Supplier/Vendor's Contract
 - Exceptions may include: LTSA, Licensing Agreements or Rental/Lease Agreements
2. Utilize Standard Contract Templates and Placeholders
 - Different Contract Templates for Materials, Services, Materials and Services, New Construction, Professional Services, Low-Spend Low-Risk, Labor Broker
 - Utilize Exhibits for project/site specific terms and conditions
3. Use of Standard Contract Exhibits
 - Rate Sheet, Scopes of Work, Special Conditions
4. Written Contracts Executed by Both Parties
 - Implied Acceptance will haunt you
5. Do not use words that are by their nature uncertain
 - Uncertain Voice: should, expect, anticipate, assist, contribute, intend
 - Active Voice: shall, will, must

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PRE-EXECUTION CONTRACT DRAFTING CONSIDERATIONS

6 Common areas of concern during pre-execution

1. Scope of Work and Expectations
 - Clearly set expectations
 - Clear Deliverables
 - Performance Expectations
 - Scorecard and KPIs
 - Performance Guarantees
 - Liquidated Damages
 - Milestone Payments
2. Market Research (Rates, Per Diem and BLS Indices)
 - GSA
 - HR / Talent Acquisition
3. Per Diem - What's Included?
4. Overtime Rates and Conditions
 - ST/OT/DT/Holiday
5. Delays
6. Disputes

Per Diem - What's Included?

- Lodging, Meals, Incidental Expenses
- Rental Car?
- State and Local Lodging Taxes?
- Who (50 mile rule, Executives, Labor?)
- Short Term vs. Long Term - When to Hedge Monthly versus Weekly or Daily PD
 - Groceries versus Restaurant
 - Nightly versus Extended Stay

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MRO CONTRACT CONSIDERATIONS

Consumable Material Contracts

- Vending Machine and Cabinets managed by Contract Holders
 - Special Conditions? Stocking verification?
- Category Contracts re-bid on a 3-5 year schedule (evaluated on total contract value)
 - Options to extend based on buyer discretion and market review
- Utilizing Auto-buy/Auto-Release functionality to reduce buyer workload
- Negotiated/Priced OEM contracts that help reduce RFQ time spent
- Utilize Calculation Examples for Discount Structures
 - E.g., Volume Discounts, Rebates, Most-favored nations pricing, Early payment discount

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REAL-TIME DISPUTES AND CONTRACT MANAGEMENT

Keys to reduce real-time disputes during the lifecycle of a contract

1. Contract Turnover & Kickoff with Supplier/Vendor
 - 1 Page Abstract/Summary
 - Kick-off meeting (SC, Ops, Supplier, Invoice Approver)
2. Re-Work / Warranty
 - What Contributed to Defect?
 - Investigation before Corrective Action
 - Has the Work Been Accepted
 - T&Cs (Warranty vs. Re-Work)
 - Industry Standard. In contract or reference industry standard
 - Who Bears the Cost?
 - Should be clarified pre-Contract and captured in T&Cs
 - If not, be sure to discuss before Corrective Actions are taken
 - Document, Document, Document
3. Change Order Management
 - Use of Standard Forms
 - Be wary of Signing Vendor/Supplier's Form
 - Acknowledgment versus Acceptance
 - Clearly Identify the Authorized Representative with Approval Power

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RETROSPECTIVE ISSUES (AUDIT FINDINGS)

Common issues identified during retrospective audits

1. Audit rights
 - Don't limit your rights
2. Wage Classifications
 - Pay range
 - Qualified
 - Doing the right job
3. Reconcilable Items
 - Statutory Drop-offs (FUI/SUI, FICA)
 - Rebates, credits, volume discounts
 - Overhead calculations (401k, insurance, etc.)
4. Allowable expenses (small tools and consumables, travel, adders, etc.)
 - Inclusionary and exclusionary language
5. Economic Price Adjustments, Index, CPI
6. ST/OT/DT/Holiday

Key Takeaways



**Establish Certainty
with Standards and
Metrics**



**Communicate
Clearly and
Document
Everything**



Audit Your Contracts



**Always Seek to
Improve**

THANK YOU