



Legislation Details (With Text)

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Title: Approve the award of Bid 22-189, Electrical Utility Transformers, to WESCO Distribution, for an amount not to exceed \$1,614,683, plus a 5% contingency

Sponsors:

Indexes:

Code sections:

Attachments: 1. EU065

Date	Ver.	Action By	Action	Result
7/19/2022	1	City Council	approved	Pass

CITY COUNCIL AGENDA ITEM

ACTION REQUESTED:

Approve the award of Bid 22-189, Electrical Utility Transformers, to WESCO Distribution, for an amount not to exceed \$1,614,683, plus a 5% contingency

DEPARTMENT: Electric Utility

SUBMITTED BY: Brian Groth, Director

BOARD/COMMISSION REVIEW:

N/A

BACKGROUND:

The Electric Utility ("Utility") purchases power transformers, which are a critical part of the City's electric distribution grid. These transformers are used as replacement for failed units or damaged units and for new developments. An inventory of transformers is maintained in the warehouse at the Electric Service Center to support on-going operations.

There is a shortage of transformers for industrial and utility providers nationwide. Due to the current state of the supply chain, manufacturers are constrained by limited capacity, inability to obtain raw materials such as metals, and a lack of qualified labor to produce the transformers. With quoted lead times in the 50 to 125-week range for this type of equipment, the Utility needs to place orders today in order to receive the equipment forecasted to meet needs one to three years out.

In June 2022, the Electric Utility issued Bid 22-189, Electrical Utility Transformers, to purchase from a distributor the estimated quantities of single phase and three phase pad and single-phase pole mounted transformers needed to support the utility's inventory.

DISCUSSION:

Advertisement Date:	06/07/2022	Notices Sent:	31
Opening Date:	06/23/2022	Planholders:	17
		Proposals Received:	02

Bids were received from the following vendors:

Vendor Name	Price
WEG Transformers	\$762,651
Wesco Distribution	\$1,614,683

Wesco Distribution's total bid appears significantly higher because Wesco provided a bid for all units requested. WEG Transformers provided a bid only for the three-phase pad mount units with a lead time of 90-92 weeks. Wesco's bid for three-phase pad mount units was \$918,619 with a lead time of 56-74 weeks. Wesco's estimated lead time for all other transformers is between 100-126 weeks.

Due to the volatility in the cost of materials, distributors are not providing a fixed price for units expected to be delivered a year or more in the future. Although WEG Transformer had a lower per unit bid cost for the three-phase pad mount units, the dollar amount of the bids is of less importance than the quoted delivery estimates.

The Utility has a critical need to maintain a level of inventory of transformers to meet its annual construction needs for residential and commercial customers while maintaining an adequate emergency backup supply of this type of device to replace damaged or failed units in the field. As such, the Utility has determined a higher priority should be placed on shorter delivery schedules even if the estimated cost on delivery of the devices may be higher from the selected vendor. Otherwise, the 2023-2024 construction seasons may be in jeopardy.

Since Wesco provided shorter delivery times than WEG, and provided a bid on all items requested, staff recommends awarding the bid to Wesco.

The total award includes a 5% contingency as the actual cost of the transformers is based on the cost of the raw materials (steel, copper, aluminum, and oil) at the time of construction of the equipment which will not be for at least one-year from placement of the order.

The transformers are estimated to be delivered by December 31, 2024. The requested amount is not expected to be incurred during the current fiscal year.

FISCAL IMPACT:

CIP #: EU065 - Electric Distribution Transformer Purchases

Electric Distribution transformer purchases is budgeted in the account number listed below as a part the Electric Utility CIP Program. A total of \$650,000 is budgeted in FY2022 for these items. As there

is no financial impact on the current year budget, the award will be budgeted appropriately in future budget years.

Account Number	Fund Description	Balance Amount
40251300-551502	Electric Utility Fund	TBD