

COUNCIL ACTION FORM

SUBJECT: PURCHASE OF ELECTRIC DISTRIBUTION TRANSFORMERS

BACKGROUND:

On April 14, 2009, City Council awarded a contract to RESCO of Ankeny, Iowa for the purchase of electric distribution transformers for the period April 14, 2009 to March 31, 2010. That contract included three optional renewals. Transformers are ordered quarterly under this contract to meet the needs of Electric Services for new construction and maintenance. Transformers are purchased from an inventory asset account and charged to the appropriate operations accounts as the units are put into use. Generally, over a million dollars in assets are available in the Electric inventory at any given time for use in new service and maintenance activities.

Under this proposed contract renewal, transformers would again be purchased as requested on a quarterly basis. This provides the City with flexible inventory management and helps to reduce the need for storage space. The proposed contract renewal period would end March 31, 2013. Bid prices are exclusive of sales taxes, which are applicable to the purchase of this equipment and are paid directly by the Utility. **No contract amount is being authorized at this time, since payments will be made as transformers are purchased.**

For the final renewal period, RESCO has indicated a flat 3.54% increase to the original bid prices. Staff has determined that renewal of the contract would continue to meet the needs of the Electric Services Department.

ALTERNATIVES:

1. Approve renewal of the contract with RESCO of Ankeny, Iowa, for the purchase of electric distribution transformers for the period April 1, 2012 to March 31, 2013 in accordance with unit prices and energy losses bid for single-phase and three-phase padmounted and overhead transformers manufactured by ERMCO. This is the final optional renewal period on this contract.

Units will be purchased as requested, and payments will be based on unit prices bid and actual quantities ordered plus applicable sales taxes.

2. Reject all bids and attempt to purchase electric distribution transformers on an as-needed basis.

MANAGER'S RECOMMENDED ACTION:

Renewal of the contract with RESCO will allow for a sure supply of transformers needed for new service and emergency replacements at a known cost. Transformers will be purchased as needed under this contract at the price quoted in this bid process.

Therefore, it is the recommendation of the City Manager that the City Council adopt Alternative No. 1, thereby approving renewal of the contract for purchase of electric distribution transformers as detailed above.