

COUNCIL ACTION FORM

**SUBJECT: AWARD OF CONTRACT TO FURNISH 750 KCMIL CABLE FOR THE
ELECTRIC SERVICES DEPARTMENT**

BACKGROUND:

This bid is for the purchase of 10,000 ft of 750 KCMIL cable to replenish inventory for the Electric Services Department. This cable is kept on hand in order to insure availability of cable and to replace failed cable quickly. Typically, this cable is used to provide service for commercial and residential applications. It is also necessary to meet the anticipated needs of the Electric Services Department for new construction and maintenance. Once received, 5,000 ft of this cable will be used at the Iowa State University Veterinary Medicine (Vet Med) Substation Expansion Project which is currently in the construction phase. The remaining 5,000 ft of cable will be added to inventory. Cable is purchased from an Electric Department inventory asset account and charged to the appropriate operations or project account as the cable is put into use.

On January 6, 2011, an invitation to bid (IFB) document was issued to twenty-three potential bidders. On January 11, 2011, two bids were received as shown on the attached report. Staff performed an extensive evaluation of the apparent low bid in the amount of \$161,461.93 submitted by RESCO. This bidder submitted its own terms and conditions along with the bid, and stated these terms must apply to its bid. Staff consulted the City Attorney regarding the submitted terms and conditions.

The City Attorney determined that awarding the bid to RESCO and agreeing to the submitted terms and conditions would transfer significant risk to the City. The risks are: 1) RESCO's terms and conditions state that its bid is not binding and can be withdrawn anytime. Even if the City accepts the RESCO bid, the purchase is not effective until RESCO approves; 2) the availability and delivery dates are not binding on RESCO. In the event of any delay caused by something outside of its control, the company may cancel all or part of the order; 3) once the wire is manufactured, the City assumes risk for it even while it is stored on-site at the manufacture site awaiting delivery; 4) the City will be required to give RESCO an unspecified deposit to guarantee return of spools and other materials within 12 months of the date of installation of materials. RESCO pays return shipping and releases the deposit upon receipt; and 5) RESCO's liability is limited to replacement cost of materials only, and RESCO warrants the materials for 18 months after manufacturing or 12 months after installation by the City. Based on the City Attorney review of the submitted terms & conditions, staff recommends that the apparent low bidder not be considered for this project because of the potential risks to the City.

Staff has concluded that the apparent second low bid in the amount of \$164,352.00 submitted by Wesco Distribution Inc., Des Moines, IA, is acceptable. There is only a \$2,890.07 difference between the two bids and Wesco did not take any exceptions to the City's terms and conditions.

The City Council should note that due to the metal content of this product, both bidders attached a metal escalation/de-escalation clause due to the volatile market for metal, which may adjust the price on the day the cable is ordered. While this is not an ideal situation for the City, this cable is necessary to the efficient operation of the utility. Therefore, staff recommends that the purchase proceed.

ALTERNATIVES:

1. Award a contract to Wesco Distribution Inc., Des Moines, IA, for the purchase of 750 KCMIL cable, in the amount of \$164,352.00, subject to metals adjustment at time of order.
2. Award a contract to the low bidder.
3. Reject all bids and attempt to purchase 750 KCMIL cable on an as needed basis.

MANAGER'S RECOMMENDED ACTION:

It is important to purchase underground distribution cable at the lowest possible cost with minimal risk to the City. It is also imperative to have cable available to meet customer needs.

Therefore, it is the recommendation of the City Manager that the City Council adopt Alternative No. 1, awarding a contract to Wesco Distribution Inc., Des Moines, IA, for the purchase of 750 KCMIL cable, in the amount of \$164,352.00, subject to metals adjustment at time of order.



INVITATION TO BID NO 2011-011 750 KCMIL BID TABULATION

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