

COUNCIL ACTION FORM

SUBJECT: PURCHASE OF ELECTRIC UTILITY POLES

BACKGROUND:

This proposed action is for the purchase of electric distribution utility poles needed to meet the anticipated needs of the Electric Services Department for new construction and maintenance. These poles will be purchased from an Electric Department inventory asset account and charged to the appropriate operations accounts as the poles 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.

This contract is to provide electric utility poles for the period from 6/14/22 through June 30, 2023. The contract includes a provision that would allow the City to renew the contract for up to four additional one-year terms.

Under the proposed contract, poles would be purchased at the City's discretion which may be quarterly or on an as-needed basis. This provides the City with flexible inventory management and helps to reduce the need for storage space. Bid prices are exclusive of sales taxes, which are applicable to the purchase of this equipment and are paid directly by the Utility.

On May 4, 2022, an Invitation to Bid (ITB) document was issued to 201 firms. The ITB was advertised on AmesBids.

On May 18, 2022, one bid was received from Bell Lumber & Pole Company, New Brighton, Minnesota. Staff reviewed the bid using the sizes and types of poles actually ordered over a three-year period. This evaluation indicates that three years' worth of poles, if ordered under the proposed contract with Bell, would cost \$106,268.

This amount is a substantial increase from the cost for the same poles if ordered from the vendor in the expiring contract (\$54,483). However, the protective treatment required in the proposed contract with Bell is a different, costlier specification than required under previous contracts. This is due to a regulatory change regarding the acceptable protective treatment.

Bell is the only supplier known to staff to currently be able to apply the acceptable treatment. Because of this and the general increases in materials costs, staff anticipated a cost increase with this contract. Staff believes that as more pole suppliers convert to the acceptable treatment specifications, prices may become more competitive. Therefore, staff has concluded that the single

submitted bid, from Bell Lumber & Pole Company, New Brighton, Minnesota, is acceptable.

Council should note that typically no contract amount is authorized, since payments will be made as these poles are purchased. In this special situation, staff is requesting that staff's authority to purchase poles under this contract not exceed the City Manager's purchasing authority, which is \$50,000.

ALTERNATIVES:

1. a. Award a contract to Bell Lumber & Pole Company, New Brighton, Minnesota, for the purchase of electric distribution utility poles in accordance with unit prices bid. Poles will be purchased as requested. Payments will be based on unit prices bid and actual quantities ordered, plus applicable sales taxes.
- b. Authorize staff to purchase poles in an amount up to \$50,000 in FY 2022/23 under this contract.
2. Reject the bid and attempt to purchase electric utility poles on an as needed basis at unpredictable prices.

CITY MANAGER'S RECOMMENDED ACTION:

It is important to purchase distribution utility poles at the lowest possible cost with minimal risk to the City. It is also imperative to have these poles available to meet customer needs for new service or emergency replacements.

Therefore, it is the recommendation of the City Manager that the City Council adopt Alternative No. 1 as stated above.