

COUNCIL ACTION FORM

**SUBJECT: AWARD CONTRACT TO PURCHASE TRANSFORMERS
FOR ELECTRIC SERVICES DEPARTMENT**

BACKGROUND:

This contract is for the purchase of transformers necessary to meet the anticipated needs of the Electric Services Department. These transformers are kept on hand in order to ensure availability which will enable staff to replace failed transformers quickly. Typically, these transformers are 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 service and maintenance activities.

On May 25, 2021, the City Council awarded a contract to RESCO, Ankeny, IA to furnish transformers as needed for Electric Services. This contract contained an initial term that expires June 30, 2022, and an option for four additional one-year renewal periods. At the time that contract was initially awarded, RESCO was determined to be the acceptable bidder on the basis of pricing and availability. RESCO's proposed lead times varied from 14-20 weeks, as opposed to 26-32 weeks for the other competitive bid. Lead times have become a challenge for many vendors of critical electric inventory components, due to supply chain issues.

Staff received notice from RESCO in May that it will not approve a contract renewal due to market conditions. The transformer manufacturer supplying RESCO has no more production slots in 2022 and is not accepting future orders. Therefore, the City's current contract with RESCO will expire June 30.

To address the Electric Department's need for transformers in the future, staff issued a Request for Quotation (RFQ) for a one-time purchase of specifically requested transformers. On May 16, 2022, an RFQ document was issued to 129 companies. The RFQ was advertised on the AmesBids website. On May 20, 2022, one bid was received as shown below:

BIDDER	BID AMOUNT
WESCO Distribution Des Moines, IA	\$58,275.00

***Price inclusive of 6% State of Iowa Sales Taxes Plus 1% Local Tax**

WESCO has indicated that the delivery time for the requested transformers is 102 weeks (two years). Staff evaluated the proposed cost and specifications of the transformers to be supplied. WESCO's total proposed cost for 18 overhead transformers is \$58,275, which is more than double the cost quoted by RESCO a year

ago for the same equipment (\$25,341.48). In addition, WESCO is unable to supply any of the six padmount transformers requested in the RFQ documents. Additionally, due to the volatility of the market on transformer prices, WESCO is unable to offer renewal contract pricing.

Although the transformers would not be delivered for up to two years under this contract and the cost is substantially higher than historical pricing, staff believes the lack of available transformers from any source makes it prudent to award the contract to WESCO Distribution, Des Moines, Iowa, in order to move the purchasing process forward.

In the short term, to address the department's need for transformers, staff has issued an RFQ for the purchase of refurbished transformers. Although the use of refurbished transformers is not a practice that Electric Services has typically considered before, staff believes that this is the best option to obtain functional transformers in a shorter timeframe. Responses to this RFQ are due June 6.

In addition to pursuing a supplier of refurbished transformers, staff is also exploring the possibility of hiring a firm to take and refurbish out-of-service transformers already owned by the utility.

ALTERNATIVES:

1. Award a contract to WESCO Distribution, Des Moines, Iowa, for the one-time purchase of Electric Services transformers in accordance with unit prices bid, in an amount not to exceed \$58,725. Payments will be based on unit prices and quantities ordered inclusive of applicable sales taxes.
2. Reject the bid and decline to purchase transformers on a contract basis. Staff will attempt to purchase transformers individually as needs arise.

With this alternative, staff is not confident that supplies of new transformers will be successfully obtained in an acceptable timeframe.

CITY MANAGER'S RECOMMENDED ACTION:

Transformers are a critical component to provide reliable electric service to customers of the Ames Municipal Electric System. It is important to purchase transformers at the lowest possible cost with minimal risk to the City. It is also imperative to have transformers available to meet customer needs in the short-term as well as the long-term.

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