

**COUNCIL ACTION FORM**

**SUBJECT: PURCHASE OF TRANSFORMERS FOR ELECTRIC SERVICES  
DEPARTMENT – CHANGE ORDER NO. 1**

**BACKGROUND:**

The Electric Services Department keeps transformers on hand in order to ensure failed transformers can be quickly replaced. Transformers are also kept in inventory to meet the needs for new construction and routine maintenance in commercial and residential applications. Electric Services entered into a contract for the purchase of transformers on an as-needed basis to meet the anticipated needs of the Electric Services Department. This contract was awarded to RESCO, Ankeny, IA (now Elkhart, IA) on May 25, 2021 for FY 2021/22 with four additional renewals possible.

Recently, an order was placed under the contract for single phase, pole-mounted transformers. Due to the volatility of the market regarding the cost of transformers and extensive lead times (more than one year), RESCO indicated that they are unable to guarantee contract pricing for this fiscal year. In addition, Staff received notice from RESCO in May that it will not approve a contract renewal for FY 2022/23 due to market conditions. Therefore, this contract with RESCO will expire June 30.

**In early June, City staff attempted to obtain bids from vendors for a one-time purchase of transformers, rather than on an as-needed basis. However, only one bid was received, and it contained prices twice that of the existing RESCO contract and lead times of 102 weeks.** The proposed pricing was \$58,275, and did not include any padmount transformers. As another strategy, staff attempted to purchase refurbished transformers through a bidding process and received no bids.

Because some of the transformer inventory is critically low, staff worked with RESCO to determine if anything could be done to obtain transformers earlier and at lower prices than the one-time bid that staff received in early June. **RESCO has agreed to provide transformers under two previous purchase orders the City Council authorized on April 14, 2020, with modifications to pricing to account for the increased manufacturing costs of the units. Even with this increase, the pricing and lead time are both roughly half what was bid in early June from another vendor.**

To order the additional transformers, purchase order 59029 (pole-mount transformers) must be increased by \$18,247.64. The original purchase order amount was \$15,537.39. Additionally, purchase order 59032 (pad-mount transformers) must be increased by \$14,285.68. The original purchase order amount was \$120,641.75, which included a variety of electric equipment in addition to transformers. **The additional amounts to be added to these purchase orders are sufficient to cover a 50% increase in transformer prices compared to the original pricing on these purchase orders.** The

requested purchase order increases exceed City staff's approval authority; therefore, staff is requesting approval from the City Council for these Change Orders.

**ALTERNATIVES:**

1. a. Approve Change Order #1 on PO 59029 to RESCO, Elkhart, Iowa, in the amount of \$18,247.64 (inclusive of sales tax) for the purchase of Electric Services transformers in accordance with revised unit prices.
- b. Approve Change Order #1 on PO 59032 to RESCO, Elkhart, Iowa, in the amount of \$14,285.68 (inclusive of sales tax) for the purchase of Electric Services transformers in accordance with revised unit prices.
2. Do not approve the change orders, and attempt to purchase transformers on an as-needed basis.

**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.

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