



City Council Agenda Item

City Council Meeting Date: August 16, 2022

TO: Dean Albro, City Manager

FROM: Ray Ambler, Purchasing & Materials Manager
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SUBJECT: Award of a Contract Purchase Order for 22 Transformers Not to Exceed \$405,294.24

Recommendation:

Staff recommends the City Council:

- 1) Approve the purchase 22 Electric Utility Transformers in the amount of \$405,294.24 from One Source Distribution of Los Angeles, California; and
- 2) Authorize the Purchasing Manager to issue a contract purchase order in an amount of \$405,294.24, and authorize up to a 25% contingency due to cost volatility and supply chain issues in the copper and transformer materials market.

Background:

The City provides Electric Utility Services for the Citizens of the City of Lompoc for current service and for prospective new customer service extending the City's network to new development locations across the City. When the City buys and installs standardized line equipment it is easier to maintain it for decades.

Financial publications report "the U.S. is running short on a critical power grid component – large transformers". International copper for windings and other components are difficult to get through supply chains and market price is up.

New real estate developments in the City call for 22 new transformers of various sizes and configurations to be paid for by the developer and are not a part of the Electric Utility Budget.

Discussion:

Purchasing sent an invitation to bid, advertised in the Lompoc Record, posted it on the City Web Site and emailed to known transformer manufacturer representatives; using Lompoc Utility Department Electric Division Specification ELE-PAD-12kV, dated 12/2019. The specification described construction and testing requirements in addition to outlining the terms of incorporating core and winding losses in the overall bid amount.

The bid lists the base purchase price, the core loss, and the winding loss. The transformers are selected on the basis of the efficiency (base engineering price and the core and windings losses) which theoretically calculates efficiency over the life of the transformer.

Two bidders responded

One Source Distribution	\$405,294.24
Anixter	\$407,194.05

Lead times for items 1-6 is estimated at 62-64 weeks after receipt of order (ARO) and item 7 is estimated at 40-42 weeks ARO.

Both bidders met specifications.

The unstable copper market along with the supply chain crisis has left many manufacturers unwilling to bid even with long lead times (as in years) and manufacturers that are willing to bid are including market based escalation clauses comparing bid date to delivery date for market price of copper.

The final price is adjusted as of the final delivery date. When the transformers are delivered they will be inspected/tested for adherence to construction specifications and functionality before they are accepted, put into service and paid for. If they do not meet specifications, then the dealer must fix or pick up.

We have attached escalation clauses from the bids of:

- One Source (“Due to current cost volatility, Howard Industries reserves the right to change prices at any time to cover increases in the key transformer cost factors beyond the company's control.”) and for
- Anixter (“reserves the right to change prices at any time”).

Both are operating as representatives for Howard Industries (the manufacturer). We have two offers from representatives of the only manufacturer taking orders.

We may refine the award escalation clause at PO contract time but ordering high dollar equipment with significant lead times represents a large risk to the manufacturer. We must award on the bid time total rather than the delivery time total if we choose to order at this time. If final price at the time of delivery exceeds the \$405,294.24 plus 25%

contingency authorized by the City Council, staff will return to City Council for authorization of the final amount.

Fiscal Impact:

There is no fiscal impact to the city since the developer is responsible to pay the full purchase price for the new transformers.

Conclusion:

Specifications incorporated in the bid were provided by Electric Division on the City web site. Bids were reviewed by the Electric Utility Division, and Purchasing Division and the purchase is recommended by staff.

Respectfully submitted,

Ray Ambler, Purchasing and Materials Manager

Shaun Ryan, Acting Utility Director

APPROVED FOR SUBMITTAL TO THE CITY MANAGER:

Christie Donnelly, Acting Management Services Director

APPROVED FOR SUBMITTAL TO THE CITY COUNCIL:

Dean Albro, City Manager