TO: HONORABLE CITY COUNCIL

FROM: CITY MANAGER DEPARTMENT: UTILITIES

DATE: December 11, 2006 CMR:428:06

SUBJECT: APPROVAL TO APPROPRIATE ADDITIONAL FUNDS TO EXISTING BLANKET PURCHASE ORDERS WITH COOPER POWER SYSTEMS AND HOWARD INDUSTRIES FOR THE PURCHASE OF ELECTRIC DISTRIBUTION TRANSFORMERS REQUIRED FOR CAPITAL IMPROVEMENT PROJECTS AND TO PROVIDE SERVICE TO NEW CUSTOMERS

RECOMMENDATION
Staff recommends that Council:

1. Approve and authorize the City Manager or his designee to amend the contract limit from $250,000 to $1,000,000 on the existing blanket purchase order for FY 06-07 with Cooper Power System for the purchase of electric distribution transformers.

2. Approve and authorize the City Manager or his designee to amend the contract limit from $250,000 to $375,000 on the existing blanket purchase order for FY 06-07 with Howard Industries for the purchase of electric distribution transformers.

DISCUSSION
Various types of electric distribution transformers (pole top, padmount and submersible) are required for providing service to customers in Palo Alto. Orders are placed with manufacturers based on requirements for capital improvement projects, new customer connections and replacing old or failed transformers.

A Request for Proposal for the purchase of transformers was issued in September 2004. The solicitation was sent to four vendors and only three responses were received. Based on the unit
prices, two vendors were selected and blanket purchase orders were issued to Cooper Power Systems and Howard Industries in FY 04-05. The expenditure for each blanket purchase order was limited to $250,000 per year. Since the RFP had provision for two optional 12-month contract extensions, the contracts were renewed in FY 05-06 and FY 06-07. The table below shows the funds spent in ordering transformer during the last two and the current fiscal years.

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Cooper Power Systems</th>
<th>Howard Industries</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY 04-05</td>
<td>$199,000</td>
<td>$119,650</td>
</tr>
<tr>
<td>FY 05-06</td>
<td>$227,164</td>
<td>$0</td>
</tr>
<tr>
<td>FY 06-07</td>
<td>$173,080</td>
<td>$167,329</td>
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</tbody>
</table>

Based on the current year’s usage and anticipated needs for future projects, the current blanket purchase orders with Cooper Power Systems and Howard Industries will require Council approval because the expenditures will exceed $250,000 per year. There are several reasons why the expenditure will exceed $250,000 per year limit:

1. Several large transformers costing in excess of $150,000 were ordered for a new key customer.
2. New transformers are needed for providing service to three new residential/commercial developments and completing capital improvement projects planned for FY 06-07.
3. Price increase in unit cost due to substantial increase in material cost.
4. Due to increase in delivery time from three months to six months or longer, transformers required for future projects and maintaining inventories are being ordered during this fiscal year.

**RESOURCE IMPACT**
Funds have been budgeted for the purchase of transformers in the FY 2006-07 Electric Capital Improvement Program project EL -89028. If additional funds are required in the future, staff will request Council approval of a Budget Amendment Ordinance (BAO).

**POLICY IMPLICATIONS**
Authorization of this blanket purchase order does not represent any change to the existing policy.
ATTACHMENTS
A. Blanket Order – Cooper Power Systems – FY 06-07
B. Blanket Order – Howard Industries – FY 06-07

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