



City of Palo Alto

City Council Staff Report

(ID # 11356)

Report Type: Consent Calendar

Meeting Date: 8/10/2020

Summary Title: Utilities Medium Voltage Cable Standardization With The Okonite Company

Title: Approval and Authorization for the City Manager or Designee to Execute a Blanket Purchase Order With the Okonite Company for Underground Cable for the Utility's Electric Underground System in an Annual Amount of \$350,000 for a Total Not-to-Exceed Amount of \$1,750,000 Over the Next 5 Years

From: City Manager

Lead Department: Utilities

Recommended Motion

Staff recommends that Council approve and authorize the City Manager or designee to execute a blanket purchase order with The Okonite Company (Okonite) in an amount not-to-exceed \$350,000 annually over the following five years, for a total purchase amount not-to-exceed \$1,750,000 from Fiscal Year (FY) 2021 to FY 2025, for medium voltage underground cable for the utility's electric underground system. Staff recommends standardization with Okonite for this equipment, consistent with Section 2.30.900 of the Palo Alto Municipal Code.

Background

The electric distribution system in Palo Alto is comprised of overhead and underground wires throughout the city to provide power to residents and commercial customers. For the underground system, CPAU's underground cable technical specification covers the physical and electrical requirements for operation on the City's medium voltage (4,000 and 12,000 Volts), 60 Hertz, 3-phase, and 3 or 4 wire systems. Cables used in CPAU operations must meet CPAU's cable specifications and industry standards.

The underground cable specification was written to ensure a high-level performance and reliability standard. Utilities staff has been installing Okonite underground cable for over 15 years and to this date CPA has never had an Okonite cable failure. Any exceptions to the underground cable specification by any cable manufacturer are always reviewed, but Okonite is the only cable manufacturer that fully meets the City's specification for both cable insulation and a manufacturing processes that ensures quality and reliability. Therefore, Staff is

recommending that the City Manager approve an equipment standardization with Okonite for medium voltage underground cable pursuant to Section 2.30.900 of the Palo Alto Municipal Code. An equipment standardization will minimize material costs and spare parts, and promote efficient design, construction, and maintenance practices.

Furthermore, Staff is requesting an exception to the City's competitive solicitation requirements based on the approval of the equipment standardization, consistent with Section 2.30.360(e) of the Palo Alto Municipal Code.

Discussion

Medium voltage cables are used in residential and commercial underground circuits for the distribution of power. Utilities underground electric system designs includes three standard cable sizes that are regularly stocked; 1) 750 kcmil, 15kV rated, 2) 600 kcmil, 25kV rated, and 3) 1/0 AWG, 15kV rated. Often, Utilities must make unplanned repairs, so it is important to have standards for this material and a supplier who has demonstrated the ability to ensure product quality, uniformity of manufacture, ready availability, on time delivery, and accommodation of city requirements that maintains staff familiarity with the product and ultimately electric system reliability and resiliency.

Staff recommends standardization with Okonite for medium voltage underground cable for the utility's electric underground system pursuant to Section 2.30.900 of the Palo Alto Municipal Code for the following reasons:

1. Base Pricing
 - There have been no increases in the base pricing from the prior contract initiated in 2015 to 2020
 - Adjustments in metals may rise but cannot increase higher than the CPI
 - Adjustments in metals may decrease which the City would receive that pricing benefit
2. Repair, maintenance, and replacement costs will be minimized.
 - Okonite is a supplier to PG&E and Palo Alto takes advantage of the bulk pricing discounts achieved when using the same cable as PG&E.
 - Okonite is the only cable manufacturer that met the City's specification for both cable insulation and manufacturing processes that ensures quality and reliability.
3. Supplies and spare parts would be minimized
 - As the City uses some of the same cable as PG&E, Okonite keeps a stock on hand and can meet the City's short lead time delivery requirements. Okonite maintains a minimum stock of the cables used by the City for emergency requests.
 - Okonite offers the City the ability to order reels cut to length for specific

- projects to help manage inventory and reduce unusable cable segments.
 - Okonite’s factory (Santa Maria, CA) is located relatively close to Palo Alto and can expedite delivery of cable if needed for emergencies.
4. Standardizing existing equipment facilitates efficient construction and maintenance practices by helping City employees to more consistently plan, design, identify, and work with existing utility infrastructure.
- Engineers and field workers are familiar with and can easily identify and work with Okonite cables because of the existing prevalence of these cables in the City system.
 - By using a standard product Utilities staff can implement a consistent maintenance and replacement program.

In 2015, Utilities staff issued a competitive solicitation to award a five-year term agreement, or purchase order, for medium voltage cable. Staff sent a Request for Quotation (RFQ) for medium voltage cables used in Palo Alto to five suppliers and advertised the RFQ on the City’s website. The RFQ requested a unit price per foot for each standard cable type and the determination of award was based on the total extended price based on estimated annual quantities. Four suppliers responded, but only Okonite fully met the City’s specifications without any exceptions and was the lowest bidder on 3 out of 4 standard cables which are regularly stocked in the warehouse.

For the past 15 years, Okonite has been the lowest responsible bidder and been awarded the purchase order to supply medium voltage underground cable as needed to the City. Cable shipments have never been missed and there have been no quality issues associated with Okonite cable. In addition, Okonite has provided excellent customer service to engineering and operations staff with training and support to the City. Therefore, Staff requests an exception to the City’s competitive solicitation requirements based on the approval of the equipment standardization, consistent with Section 2.30.360(e) of the Palo Alto Municipal Code.

In 2015, Council approved agreement blanket purchase order with Okonite ([Staff Report ID 6131](#)) for underground cable with annual purchase limits of \$350,000. Although Utilities staff is projecting a slightly lower level of new customer service business and some reductions in capital improvement projects over the next fiscal year, staff must be prepared to account for unplanned repairs and increasing raw material costs. Okonite will make annual price adjustments based on the consumer price index (CPI-W) as published by the United States Department of Labor, Bureau of Labor Statistics. The price adjustments will be applied to the current base price of copper at \$2.00/lb and aluminum at \$1.00/lb with a maximum increase of 2.5% and minimum of 1.5%. Staff requests authorization to set the purchase limit at \$350,000 for each fiscal year based on historical expenditures and future projections. Any unspent funds will be returned to reserves or the capital improvement project as part of the year end procurement process.

Timeline

The current purchase order with Okonite expired in June 2020. Utilities is requesting to standardize with Okonite and to approve a purchase order of \$350,000 for FY 2021 and \$350,000 annually for the next four (4) fiscal years.

Resource Impact

Funding for this agreement is available from the FY 2021 Capital Budget in the Electric Fund Project EL-98003 (Electric System Improvements). Funding for subsequent years for the blanket purchase order are subject to City Council approval of annual appropriations. The term agreement format means the City enters an agreement for an unspecified number of units, up to a maximum expenditure amount per year (PAMC 2.30.110) and items are ordered as needed, based on standard prices provided from the vendor.

The City's purchase order template permits the City to terminate without cause or for convenience by providing written notice to the contractor. In the event the City finds itself facing a challenging budget situation, and it is determined that City resources need to be refocused elsewhere, the City can terminate for convenience. Other options include amending the purchase order to reduce the cost, for example, by reducing the quantity of items purchased.

Policy Implications

This recommendation is consistent with the 2018 Council-approved Utilities Strategic Plan to manage finances optimally and use resources efficiently to meet customer service priorities.

Stakeholder Engagement

This agreement for materials does not directly impact customers that would require community outreach. Similarly, staff requested Council contract approval in October 2015.

Environmental Review

This term agreement and standardization determination does not meet the definition of a project pursuant to section 21065 of the California Public Resources Code and is otherwise categorically exempt from California Environmental Quality Act (CEQA), under section 15301 (repair or maintenance of existing facilities), and section 15302 (replacement or reconstruction of existing structures and facilities) of California Code of Regulations Title 14 (the "CEQA Guidelines").