

**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.

Lead times have become a challenge for many vendors of critical electric inventory components, due to supply chain issues. 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 September 1, 2022, an RFQ document was issued to 134 companies. The RFQ was advertised on the Ames Bids website. On September 15, 2022, one bid was received as shown below:

BIDDER	BID AMOUNT
Rural Electric Supply Cooperative (RESCO) Ankeny, Iowa	\$133,097.09

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

RESCO has indicated that the delivery time for the requested transformers is 52 weeks. **Staff evaluated the proposed cost and specifications of the transformers to be supplied. RESCO's bid for 50 overhead transformers of various kVA and voltage totaled \$133,097.09. RESCO has also stated that all pricing is under an escalation/de-escalation clause based on material pricing at the time of shipment.** RESCO anticipates a cost increase of approximately 16.71% more than the price quoted based on the ERMCO (manufacturer) material price index due to volatility in the market on transformer prices.

Included in the bid were six pad mount transformers, but RESCO did not bid on these due to availability. ERMCO, RESCO's partner manufacturer, is not accepting new orders for this style of transformer for 2023 and has not yet opened 2024 production slots. **Staff will likely, rebid these transformers and look at purchasing refurbished units.**

**Although the overhead transformers would not be delivered for 52 weeks 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 RESCO, Ankeny, Iowa, in order to move the purchasing process forward.

**ALTERNATIVES:**

1. Award a contract to RESCO, Ankeny, Iowa, for the one-time purchase of Electric Services overhead transformers in the amount of \$133,097.09. Payments will be based on unit prices and quantities ordered inclusive of applicable sales taxes.
2. Reject the bid and decline to purchase overhead 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 described above.