

Council Business Meeting

March 1, 2022

Agenda Item	Approval of a Special Procurement – Transformers	
From	Thomas McBartlett II	Electric Director
Contact	thomas.mcbartlett@ashland.or.us	541-552-2314

SUMMARY

Approval is being requested for a **Class Special Procurement**.

This **Class Special Procurement** will allow the Electric Department to use an Intermediate Procurement (sourcing method) to expedite competitive bid solicitations for transformers. In addition, authority is being requested for the Public Contracting Officer/City Manager to be granted the authority to contract for transformer purchases exceeding \$100,000.00. Given the supply and demand issues, cost increases and 1-year to 2-year lead times, it is critical to place orders for transformers while the option to do so is available.

POLICIES, PLANS & GOALS SUPPORTED

City Council Goals:

- Maintain Essential Services – Electric Utility

PREVIOUS COUNCIL ACTION

None.

BACKGROUND AND ADDITIONAL INFORMATION

A Special Procurement (sourcing method) is used for the purpose of seeking an exemption from the competitive bid process, custom designing a contracting approach, or the direct selection or award of a public contract or for a series of contracts. The attached Form #9 Special Procurement Request for Approval provides detailed written findings for your review and consideration.

FISCAL IMPACTS

Fiscal impacts will be minimal and short term, as most large transformers are billed directly to the development, with half the cost paid in advance of ordering.

STAFF RECOMMENDATION

Staff recommends this Class Special Procurement be approved.

ACTIONS, OPTIONS & POTENTIAL MOTIONS

1. I move to approve this Class Special Procurement.

ATTACHMENTS

1. Form #9 Special Procurement Request for Approval
2. Current bid tab for transformers

**SPECIAL PROCUREMENT
REQUEST FOR APPROVAL**

To: Joseph Lessard, City Manager
From: Thomas Mc Bartlett II, Electric Director
Date: March 1, 2022
Subject: REQUEST FOR APPROVAL OF A SPECIAL PROCUREMENT

In accordance with ORS279B.085, this request for approval of a Special Procurement is being presented to the City Council for approval. This written request for approval describes the proposed contracting procedure and the goods or services or the class of goods or services to be acquired through the special procurement and the circumstances that justify the use of a special procurement under the standards set forth ORS 279B.085(4).

- 1. **Requesting Department Name:** ELECTRIC DEPARTMENT
- 2. **Department Contact Name:** John Paulick, Electric Warehouse
- 3. **Type of Request:** Class Special Procurement Contract-specific Special Procurement
- 4. **Time Period Requested:** From March 2, 2022 To: June 30, 2024
- 5. **Total Estimated Cost:** Transformers are purchased as needed and required
- 6. **Short title of the Procurement:** TRANSFORMERS

Supplies and/or Services or class of Supplies and/or Services to be acquired:

Transformers (1-Phase pad mount, 1-Phase pole mount and 3-Phase pad mount)

7. Background and Proposed Contracting Procedure: Provide a description of what has been done in the past and the proposed procedure. The Agency may, but is not required to, also include the following types of documents: Notice/Advertising, Solicitation(s), Bid/Proposal Forms(s), Contract Form(s), and any other documents or forms to be used in the proposed contracting procedure. Attach additional sheets as needed.

Background:

The City has been purchasing transformers using a Cooperative Procurement (Sourcing Method) through EWEB (Eugene Water & Electric Board) for a number of years. The City has been piggybacking on a contract between EWEB and Ermco and benefitting from volume pricing and expedient delivery of 1-phase and 3-phase pad mount transformers. Ermco is no longer able to fulfill EWEB’s contract and are not offering bids for transformers 2022-2023.

Proposed procedure:

We are seeking permission to use an Intermediate Procurement (sourcing method) to expedite competitive bid solicitations for transformers. In addition, authority is being requested for the Public Contracting Officer/City Manager to be granted authority to contract for transformer purchases exceeding \$100,000.00.

<u>Sourcing Method</u>	<u>Intermediate Procurement</u>	<u>Invitation to Bid (Competitive Sealed Bid)</u>
Type of solicitation	Informal – Goods & Services	Formal – Goods & Services
Dollar threshold	AMC 2.50.090(E) \$5,000.00 to \$100,000.00	Equal to or greater than \$100,000.00
Rules of procedure	AMC 2.50.100(C) Requires written solicitation, ORS 279B.070(3) Shall seek at least three (3) competitive bids, if three (3) bids are not obtained, a written record will be made of the efforts to obtain the bids, OAR 137-047-0270	AMC 2.50.080, ORS 279B.055, OAR 137-047-0255 (Ideally, formal ITBs are released for 30 days in order to allow time to satisfy all of the solicitation requirements.)
Authority to execute public contracts:	AMC 2.50.070(A)(1) Gives authority to Public Contracting Officer/City Manager to contract for goods and services less than \$100,000.00	Public contracts greater than \$100,000 for goods and services requires Council approval

8. Justification for use of Special Procurement: Describe the circumstances that justify the use of a Special Procurement. Attach relevant documentation.

- a. Supply chain issues and demands are greatly affecting the pricing and availability and lead times for all electric material industries.
- b. Quotes are only valid for 30-days or less and are subject to “escalation costs” at the time of manufacturing. Some of the materials subject to escalation costs are steel, aluminum, copper, oil, labor and fuel.
- c. If manufacturers do provide bids, lead times are 1-year for 3-Phase and up to 2-years for 1-Phase pad mount transformers. (Common lead times used to be 4-6 months.)
- d. We are aware of six (6) transformer manufacturers. Three (3) of the manufacturers did not or could not submit a transformer bid in response to the City’s most recent solicitation for transformers.
- e. The cost for transformers has increased 2-3 times for the same units purchased one year ago.

<u>Date Purchased</u>	<u>Transformer</u>	<u>Price</u>	<u>Purchase Price 02/16/2022</u>
12/15/2020	3-PH 300KVA	\$10,048.00 (Received 05/14/2021)	\$23,118.00 Subject to price adjustments between order placement and shipment (Lead time: 46-48 Weeks ARO)
12/15/2020	3-PH 500KVA	\$12,514.00 (Received 05/14/2021)	\$30,000.00 Subject to price adjustments between order placement and shipment (Lead time: 46-48 Weeks ARO))
02/24/2021	3-PH 1500KVA	\$22,093.00 (Received 08/10/2021)	\$60,706.00 Subject to price adjustments between order placement and shipment (Lead time: 58-60 Weeks ARO)

- f. Given the supply and demand issues, it is critical to place an order while the option to do so is available.
- g. There are a number of commercial and residential developments currently being approved by the City's Planning Department that are going to need transformers that we do not have in our stock and need to be ordered. For new residential, we charge a per lot fee that covers our costs for equipment. For commercial development the costs are up front actuals, we require half the hard costs upfront before we order materials. New transformers are also kept in inventory and expensed when they are put into service.
- h. Utilities nationwide are all dealing with these supply chain issues as infrastructure continues to grow.

9. **Findings to Satisfy the Required Standards:** This proposed special procurement:

X (a) will be unlikely to encourage favoritism in the awarding of public contracts or to substantially diminish competition for public contracts because:

The proposed solicitation process will be competitive and will **not** diminish competition or encourage favoritism.

(Please provide specific information that demonstrates how the proposed Special Procurement meets this requirement.); **and**

_____ (b)(i) will result in substantial cost savings to the contracting agency or to the public because:

The department will do their due diligence to take advantage of any cost savings opportunities, but at this time due to severe supply and demand issues, prices for transformers have increased substantially.

(Please provide the total estimate cost savings to be gained and the rationale for determining the cost savings); **or**

X (b)(ii) will otherwise substantially promote the public interest in a manner that could not practicably be realized by complying with the requirements of ORS 279B.055, 279B.060, 279B.065, or 279B.070, or any rules adopted thereunder because:

Electric inventory materials are required to maintain the City's electric utility and we are seeking a sourcing method that will expedite the competitive solicitation process for purchasing transformers due to the current supply and demand issues.

(Please provide specific information that demonstrates how the proposed Special Procurement meets this requirement.)

Public Notice:

Pursuant to ORS 279B.085(5) and OAR 137-047-0285(2), a Contracting Agency shall give public notice of the Contract Review Authority's approval of a Special Procurement in the same manner as a public notice of competitive sealed Bids under ORS 279B.055(4) and OAR 137-047-0300. The public notice shall describe the Goods or Services or class of Goods or Services to be acquired through the Special Procurement and shall give such public notice of the approval of a Special Procurement at least seven (7) Days before Award of the Contract.

After the Special Procurement has been approved by the City Council, the following public notice will be posted on the City’s website to allow for the seven (7) day protest period.

Date Public Notice first appeared on www.ashland.or.us – *[March 2, 2022, if approved by Council March 1, 2022]*

PUBLIC NOTICE
Approval of a Special Procurement

First date of publication: *[March 2, 2022, if approved by Council March 1, 2022]*

A request for approval of a Special Procurement was presented to and approved by the City Council, acting as the Local Contract Review Board, on *[March 1, 2022, if approved by Council March 1, 2022]*

Permission was granted by the City Council, acting as the Local Contract Review Board, to allow the use of an Intermediate Procurement (sourcing method) to expedite soliciting competitive bids for transformers and authority has been granted to the Public Contracting Officer/City Manager to approve transformer purchases exceeding \$100,000.00. Given the supply and demand issues, cost increases and 1-year to 2-year lead times, it is critical to place orders for transformers while the option to do so is available.

It has been determined based on written findings that the Special Procurement will be unlikely to encourage favoritism in the awarding of public contracts or to substantially diminish competition for public contracts, and result in substantial cost savings or substantially promote the public interest in a manner that could not be realized by complying with the requirements that are applicable in ORS 279B.055, 279B.060, 279B.065, or 279B.070.

An affected person may protest the request for approval of a Special Procurement in accordance with ORS 279B.400 and OAR 137-047-0300. A written protest shall be delivered to the following address: City of Ashland, Thomas Mc Bartlett II, Electric Director, 90 N. Mountain, Ashland, OR 97520. The seven (7) protest period will expire at 5:00pm on *[March 9, 2022, if published on March 2, 2022]*

This public notice is being published on the City’s Internet World Wide Web site at least seven days prior to the award of a public contract resulting from this request for approval of a Special Procurement.

CITY OF ASHLAND, ELECTRIC DEPARTMENT				Name:	ROBERT LARSON	Name:	JOE HIERONYMUS	Name:	PHILLIP MASON			
INVITATION TO BID				Company Name:	WESCO/ANIXTER	Company Name:	GENERAL PACIFIC	Company Name:	HC TRANSFORMER & SWITCHGEAR DBA OREGON POWER			
QUOTES DUE PRIOR TO 1:00 PM (PST), WEDNESDAY, FEBRUARY 9 2022				Telephone:	503-753-8217	Telephone:	503-907-2872	Telephone:	541-326-3132			
				Email:	RLARSON@WESCO.COM	Email:	JHIERONYMUS@GENERALPACIFIC.COM	Email:	PHILM@HCTNS.COM			
Item #	STOCK NUMBER	MATERIAL	QTY / EACH	MANUFACTURER / PART NUMBER	PRICE / UNIT (Prices must include shipping charges)	LEAD TIME (Availability)	MANUFACTURER / PART NUMBER	PRICE / UNIT (Prices must include shipping charges)	LEAD TIME (Availability)	MANUFACTURER / PART NUMBER	PRICE / UNIT (Prices must include shipping charges)	LEAD TIME (Availability)
1	A.H.S. Project# 000790.300	1500KVA 480Y/277V 12470GRDY/7200 3-PHASE LOOP FEED PAD MOUNT TRANSFORMER	1 EA.	ABB/HITACHI	\$60,706.00	58-60 WEEKS	HOWARD INDUSTRIES	\$95,169.00	26-28 WKS ARO	HC TRANSFORMER	\$66,560.00	20-22 WEEKS
2	2-5045-00 WHS-05 0690.16011	500KVA 208Y/120V 12470GRDY/7200 3-PHASE LOOP FEED PAD MOUNT TRANSFORMER	1 EA.	ABB/HITACHI	\$30,000.00	46-48 WEEKS	HOWARD INDUSTRIES	\$41,775.00	26-28 WKS ARO	HC TRANSFORMER	\$41,260.00	20-22 WEEKS
3	2-4090-00 WHS-05 0690.16011	300KVA 208Y/120V 12470GRDY/7200 3-PHASE LOOP FEED PAD MOUNT TRANSFORMER	1 EA.	ABB/HITACHI	\$23,118.00	46-48 WEEKS	HOWARD INDUSTRIES	\$34,093.00	26-28 WKS ARO	HC TRANSFORMER	\$36,620.00	20-22 WEEKS
		*ALL TRANSFORMERS SHALL MEET CITY OF ASHLAND TRANSFORMER SPECS. (ATTACHED)			TOTAL \$113,824.00			\$171,037.00			\$144,440.00	

NO RESPONSE

Vendor	Manufacturer	Comments
McKAIG EVERGREEN INC. Stacey Tomczak Stacey@mckaig.com	CENTRAL MOLONEY	"OPTING OUT OF QUOTING. DUE TO UNPRECEDENTED MARKET DEMAND"
HEES ENTERPRISES www.heesenterprises.com	ERMCO	No Bid