

Agenda Report

DATE: April 9, 2007

TO: CITY COUNCIL

FROM: CITY MANAGER

SUBJECT: AUTHORIZATION TO INCREASE THE NOT TO EXCEED AMOUNT ON THE PURCHASE ORDER CONTRACT WITH THE OKONITE CO. FOR THE FURNISHING AND DELIVERY OF 15 KV SHIELDED ETHYLENE PROPYLENE RUBBER (EPR) INSULATED CABLES FOR THE PASADENA WATER AND POWER DEPARTMENT.

RECOMMENDATION

It is recommended that the City Council authorize an increase to the total not to exceed amount of purchase order contract 33223 with The Okonite Company from \$2,703,450 to \$3,913,450 to purchase various sizes of 15 kV Shielded Ethylene Propylene Rubber (EPR) Insulated Cables.

BACKGROUND

In May 2004, Specification LD-04-3 was issued inviting bids to furnish and deliver 15 kV Shielded Ethylene Propylene Rubber (EPR) Insulated Cables. On June 7, 2004, the City Council authorized a contract with Okonite Company for a base period of four years with two optional extension periods, and an overall not to exceed amount of \$2,703,450.

Although the base contract and optional extension periods were expected to provide for the Department's needs through May 2010, the Department has only \$250,000 left on the contract, having purchased a total of \$2,450,000 in less than three years. Major capital projects implemented in accordance with the Master Plan after the contract's inception, plus an aggressive maintenance program to improve the infrastructure, have contributed to the accelerated depletion of these original funds. Other contributing factors are undergrounding circuits and the installation of new distribution feeders and cable replacement due to the construction and improvements of a new substation at Glenarm.

The Department has also seen an increase in customer projects due to residential and commercial improvements, such as the installation of larger air conditioning units and growth in residential and commercial square footage, and has depleted its inventory of various types of cable. Inventory levels must be brought back to normal levels to protect the integrity of the distribution system and ensure completion of customer and capital improvement projects.

The Department is requesting that the City Council approve an increase of \$1,200,000 to the total not to exceed amount of the contract, thereby increasing the total not to exceed amount from \$2,703,450 to \$3,903,450. The requested amount provides for one last purchase under this contract for six months' worth of cable quantities. The Department is not asking to extend the contract beyond the time previously approved by Council or to change any existing terms in the contract except the not to exceed amount.

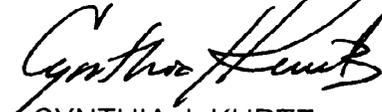
The Department is currently finalizing a new specification and will go out to bid on another multi-year contract within six months; however, it would be prudent and in the best interest of the City to augment the not to exceed amount with Okonite, rather than to go out immediately for a new contract, for the following reasons:

- Demand for copper and aluminum has increased dramatically over the past three years, and the lead time for producing cable has also increased. The Department must order this cable as soon as possible in order to meet the demands of scheduled capital, customer and undergrounding projects in the next twelve months. To safeguard the integrity of the electric distribution system and allow for the timely completion of capital and customer projects, the Department must increase its inventory of cable as soon as possible.
- An increase in the current contract will allow the Department to purchase additional needed cable immediately after Council approval for delivery in 5 months. This will save at least four months time, which is required to prepare bid documents, process specification documents through various City Departments, allow vendors time to prepare and submit bids, prepare and route staff reports for Council approval and finally get a purchase contract.
- Testing of Okonite cable will not be required, saving an additional 2 months. The design of this cable has already been approved and the cable has been tested. Cables purchased from a different contractor must go through a rigorous testing and City approval process prior to manufacturing.
- Because the current contract is tied to the Platt's Metals Index, and prices for the cable are based on the market price of copper and aluminum, there would be no price benefit from a new competitive bid at this time.
- Council originally approved this contract for a minimum of four and maximum of six years. However, this was approved prior to implementation of the Electric Distribution System Master Plan that added more than \$15 million in capital projects annually. The Department now requires more cable than originally projected. The existing terms and unit price structure in the contract will allow the City to purchase from Okonite the required increase in cable quantities.

FISCAL IMPACT:

Sufficient funds are available in the Power Fund 411, Capital Project 3137, Cable Replacement and Testing.

Respectfully submitted,



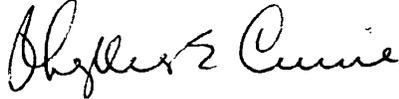
CYNTHIA J. KURTZ
City Manager

Prepared by:



Joe Awad
Business Unit Director
Water and Power Department

Approved by:



Phyllis E. Currie
General Manager
Water and Power Department

Disclosure Pursuant to the
City of Pasadena Taxpayer Protection Amendment of 2000
Pasadena City Charter, Article XVII

Contractor hereby discloses its trustees, directors, partners, officers, and those with more than a 10% equity, participation, or revenue interest in Contractor, as follows:
(If printing, please print legibly. Use additional sheets as necessary.)

1. Contractor Name:
THE OKONITE COMPANY, INC.

2. Name(s) of trustees, directors, partners, officers of Contractor:

SEE ATTACHED LIST.

3. Names of those with more than a 10% equity, participation or revenue interest in Contractor:

THE OKONITE COMPANY IS EMPLOYEE OWNED UNDER THE OKONITE COMPANY EMPLOYEE STOCK OWNERSHIP PLAN

Prepared by: Anthony N. List
ANTHONY N. LIST
Title: MANAGER OF TAXES
Date: 10/11/06

For office use only
Contract No. _____

THE OKONITE COMPANY, INC.
P.O. BOX 340
RAMSEY, NEW JERSEY 07446

FED. E.I. NUMBER 22-2279445

OFFICERS

<u>NAME</u>	<u>TITLE</u>	<u>BUSINESS ADDRESS</u>
Victor A. Viggiano	Chairman of the Board And Chief Executive Officer	102 Hilltop Road Ramsey, NJ 07446
Alfred C. Coppola	President and Chief Operating Officer	102 Hilltop Road Ramsey, NJ 07446
Thomas M. Scanlon	Vice President - Employee Relations	102 Hilltop Road, Ramsey, NJ 07446
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Ernest W. Mezger	Assistant Secretary	

DIRECTORS

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