

Agenda Report

February 8, 2010

TO: Honorable Mayor and City Council

FROM: Water and Power Department

SUBJECT: PURCHASE ORDER CONTRACT WITH ONE SOURCE DISTRIBUTORS TO FURNISH AND DELIVER MISCELLANEOUS ELECTRIC UTILITY MATERIALS

RECOMMENDATION:

It is recommended that the City Council:

1. Find that the contract is exempt from the California Environmental Quality act ("CEQA") pursuant to the State CEQA Guidelines Section 15061 (b)(3), and
2. Accept the bid dated January 12, 2010 submitted by One Source Distributors to furnish and deliver miscellaneous electric utility materials for the Water and Power Department (Department); reject all other bids, and authorize the Purchasing Administrator to enter into a purchase order contract with One Source Distributors for an amount not to exceed \$3,600,000 for a period of four years, with two optional one-year extensions, each not to exceed \$900,000 per year, for a total maximum expenditure not to exceed \$5,400,000.

BACKGROUND:

Through the normal course of providing electrical service to its customers, the Department requires a variety of parts, material and equipment for the electrical distribution system.

The Department uses a number of long-term contracts with local suppliers to provide just-in-time delivery of various miscellaneous parts and equipment in order to reduce inventory maintained on-hand and manage costs.

The current contract for items such as electrical connectors and seals, switches, adapters, fuses, wire, clamps insulators, sleeves and brackets and many other small miscellaneous materials and parts is about to expire.

Based on standards and historical construction workload, the specific types of material and usage levels have been determined and incorporated into a Bid Schedule. A Notice Inviting Bids was published in *The Pasadena Journal* and posted on the City's web page on December 17, 2009. In addition, specifications were sent to eleven businesses

on the Purchasing Division's vendor list. At the request of vendors, the Department held a meeting with the Department's warehouse supervisor to review the Department's warehouse facility. Two responsive bids were opened on January 12, 2010, and the results are shown below.

<u>Vendor/Location</u>	<u>Bid Amount</u>
One Source Distributors/ Downey, CA	\$900,000
HD Supply/ Santa Fe Springs, CA	\$950,254

It is recommended that the City Council authorize the issuance of a purchase order contract to One Source Distributors, a supplier of electrical supplies for neighboring utilities and municipalities.

Staff's request for an initial contract term of four years is based on continued development of a just-in-time inventory process to properly manage inventory levels and eliminate unnecessary material redundancies. Staff recommends that the proposed contract include the provision to extend, at City's option, for up to two additional one-year periods, each not-to-exceed \$900,000. Staff will request approval from the City Manager for the first extension period after the initial \$3,600,000 has been expended, or after the initial four-year period ends, whichever comes first, provided the vendor has performed satisfactorily.

The request for \$900,000 per year is based on Department's expected workload and includes projected cost increases. Approximately sixty days before the end of any contract period the Contractor may request changes in the Bid Schedule, provided that any proposed price increase does not exceed the percentage of the then applicable Producers Price Index (PPI). PPI is an index that focuses on products purchased by manufacturers such as parts and supplies that are used to produce other goods. Pricing is reviewed on a quarterly basis.

The Contractor agrees to treat the City as its most favored customer, in that all of the prices, warranties, benefits and other terms provided to the City are equivalent to or better than the terms being offered by the Contractor to its current customers.

The proposed contract is in compliance with Competitive Bidding and Purchasing Ordinance P.M.C. 4.08 and the rules and regulations promulgated there under.

COUNCIL POLICY CONSIDERATION:

The proposed contract supports the Department's Electrical Distribution System Master Plan authorized by the Council in 2005 to allow for replacement of aging infrastructure and ensure reliable capacity.

ENVIRONMENTAL ANALYSIS:

The proposed Purchase Order contract is exempt from CEQA pursuant to the State CEQA Guidelines Section 15061 (b)(3). Section 15061 (b)(3) states that CEQA only applies to projects which have the potential for causing a significant effect on the environment. The proposed action is a contract which authorizes the purchase of parts that are used to replace and repair existing infrastructure and equipment. No new construction is proposed under this project and the proposed project will not have a significant effect on the environment.

FISCAL IMPACT:

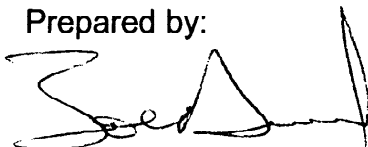
Sufficient funds are available in the current fiscal year Capital Power Fund 411, in Capital Improvement Project #3161, Capacity and Reliability Sustaining Program (\$100,000); #3191, 4kV Distribution System (\$100,000); #3001, Services from Utility Underground System (\$50,000) ; #3023, Services from Public Right of Way (\$50,000); #3117; Wood Utility Pole Replacement/Reinforcing Program (\$50,000); and #3174, Utility Underground Districts (\$50,000) for expenses anticipated in the current fiscal year. Additional funds will be requested as needed in future years.

Respectfully submitted,



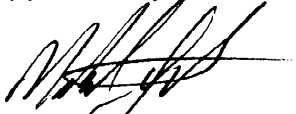
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