

Agenda Report

November 25, 2024

TO: Honorable Mayor and City Council

FROM: Water and Power Department

SUBJECT: AUTHORIZE THE CITY MANAGER TO ENTER INTO A CONTRACT WITH ANIXTER, INC. FOR ELECTRICAL MATERIALS, SUPPLIES AND EQUIPMENT FOR A TOTAL NOT-TO-EXCEED AMOUNT OF \$32,000,000 FOR THE WATER AND POWER DEPARTMENT

RECOMMENDATION:

It is recommended that the City Council:

1. Find that the proposed action is not a project subject to the California Environmental Quality Act ("CEQA") pursuant to Section 21065 of CEQA and Sections 15060(c)(2), 15060(c)(3), and 15378 of the State CEQA Guidelines and, as such, no environmental document pursuant to CEQA is required; and
2. Authorize the City Manager to enter into a contract as the result of Competitive Bidding, as specified by Pasadena Municipal Code Section 4.08.045 with Anixter, Inc. ("Anixter") for Electric Materials, Supplies, and Equipment for a grand total of \$32,000,000 for four years, which includes the base contract amount of \$8,000,000 and the option for three additional one-year extensions or an amount not-to-exceed \$24,000,000, whichever occurs first, at the discretion of the City Manager.

BACKGROUND:

Pasadena Water and Power ("PWP") delivers electricity to over 65,000 residential, commercial, and industrial customers within the city of Pasadena. As a key provider of essential services, PWP supports the City's critical infrastructure by ensuring reliable water and power, while also prioritizing environmental sustainability and superior customer service.

PWP's electric Transmission and Distribution system comprises an extensive network of infrastructure, including substations, transformers, power lines, switchgear, and other essential components that maintain the uninterrupted delivery of power to the community. To continue providing reliable service, PWP routinely maintains and upgrades this infrastructure, especially as aging components require replacement or

improvements to meet increasing demand and regulatory standards. The proposed contract will require the vendor to provide parts, materials, and equipment as needed to support system improvements, operations, and maintenance.

On August 7, 2024, a Notice Inviting Bids for the Specifications was published in the Pasadena Press and Pasadena Journal. The invitation was also published on OpenGov, which generated notices to all vendors previously registered with the City for this particular commodity class. A total of 60 vendors downloaded the Specifications, three of which were local. A total of two bids were received by the bid due date of September 24, 2024, with no bids received from a local firm.

The responsive bid results are shown below in Table I.

Table I: Bid Summary

Bidder Name	Office Location	Bid Amount
Anixter, Inc.	Corona, California	\$3,779,735
OneSource	Montreal, Quebec	\$4,007,321

Anixter was the lowest responsive and responsible bidder. PWP staff recommends that the City Council authorize the City Manager to enter into a contract with Anixter for a grand total amount of \$32,000,000 over four years, which includes the base contract amount of \$8,000,000, and the option for three additional one-year extensions or an amount not-to-exceed \$24,000,000, whichever occurs first, at the discretion of the City Manager.

The proposed contract with Anixter Inc., a leading distributor serving multiple utilities across the country, is one of several mitigation strategies PWP is implementing to address supply chain obstacles. By leveraging Anixter's significant purchasing capability, PWP can strengthen its capabilities and secure critical items such as power poles, electric meters, electrical conductors, electric switchgear, and other miscellaneous components for both overhead and underground electric utility infrastructure.

In comparison to pre-pandemic practices, establishing reliable, cost-effective, and long-term contracts for critical power utility components has become significantly more challenging, with delivery delays now a routine issue. Ongoing supply chain disruptions have made it increasingly difficult to secure the specialized equipment needed for PWP's electric utility infrastructure, often leaving spot purchasing as the most viable sourcing option. Vendors are exploiting these challenges by imposing less favorable terms for spot purchases, such as uncapped commodity price escalations, shortened warranty periods, limited liability, and restrictive order cancellation policies.

Anixter will serve as a key supply chain mitigation resource that PWP can rely on to secure these materials efficiently. Through this contract, PWP will also benefit from a comprehensive suite of services, including offsite stocking of high-demand items by the

vendor, which will be readily available for future orders as needed. This arrangement supports timely deliveries and ongoing collaboration to optimize material management processes. This approach enables PWP to maintain operational flexibility and avoid the inefficiencies associated with large in-house inventories, reducing the risk of delays that could impact the City's infrastructure.

The proposed contract with Anixter includes provisions to ensure fair and competitive pricing for PWP. Specifically, the contract allows for annual price adjustments on named items, which will be capped at the rate of the then-current Consumer Price Index for the latest available preceding 12-month period. This ensures that price adjustments remain reasonable and aligned with general market trends. For electric supplies not specifically named in the bid specification, PWP will benefit from most favored customer pricing. This requirement is referenced in the Competitive Bid Specifications for the proposed contract, which guarantees that PWP will receive pricing terms equal to or better than those offered to Anixter's other customers for comparable items and quantities, further ensuring cost-effective procurement. These pricing mechanisms are designed to protect PWP's financial interests while maintaining a reliable supply chain for essential materials and services.

This contract is vital to supporting PWP's ongoing efforts to modernize its infrastructure, integrate new technologies, and prepare for future electrification demands, including those driven by the increasing adoption of electric vehicles and the City's goals for cleaner energy solutions.

The contract will help enable PWP to maintain a resilient, dependable electric infrastructure and effectively manage the ongoing challenges of a constrained supply chain.

The recommended total not-to-exceed amount is based on PWP's expected workload. The estimated expenditure was developed based on the unit pricing submitted by Anixter in their bid. The proposed contract complies with the Competitive Bidding and Purchasing Ordinance pursuant to Pasadena Municipal Code Chapter 4.08 and the rules and regulations promulgated thereunder.

The City of Pasadena has awarded eight purchase orders and three contracts to Anixter since 2015 for a total not-to-exceed amount of approximately \$47,598,000.

COUNCIL POLICY CONSIDERATION:

The proposed contract is consistent with the City Council's goals to maintain fiscal responsibility and stability, and PWP's strategic initiatives to enhance customer satisfaction and confidence, improve efficiency and business continuity, and maintain PWP's fiscal health and stability.

ENVIRONMENTAL ANALYSIS:

The action proposed herein is not subject to CEQA in accordance with Section 21065 of CEQA and State CEQA Guidelines Sections 15060 (c)(2), 15060 (c)(3), and 15378. The authorization of the proposed contract, which provides for the purchasing of materials, supplies and equipment, is a continuing administrative and maintenance activity (i.e., purchasing of supplies). Moreover, this action would not commit the City to undertaking or approving any actual or specific physical construction activities or any other actions that involve physical changes to the environment. Therefore, the proposed action is not a "project" subject to CEQA, as defined in Section 21065 of CEQA and Section 15378 of the State CEQA Guidelines. Since the action is not a project subject to CEQA, no environmental document is required.

FISCAL IMPACT:

The total cost of this contract is \$32,000,000. Funding for this action will be addressed by the utilization of existing and future appropriations in the Power Capital Fund (411) in various Capital Improvement Programs including the 4kV to 17kV Distribution System Conversion Program (3227) and Station Transformer Upgrades (3259), and existing and future appropriations budgeted in the Power Operating Fund (401). It is anticipated that \$5,000,000 of the costs will be expended in fiscal year 2025. Future costs will be budgeted as part of the department's annual operating and capital budgets. There is no impact to the General Fund.

The following table represents a contract summary.

Base Contract Amount	\$	8,000,000
Three Optional One-Year Extensions	\$	24,000,000
Total Fiscal Impact	\$	32,000,000

The cost of the recommended action is \$32,000,000 over four years, as broken out in the following table.

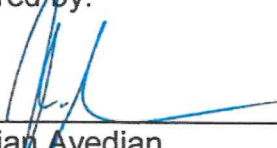
Fiscal Year	Amount
2025	\$ 5,000,000
2026	\$ 11,000,000
2027	\$ 8,000,000
2028	\$ 8,000,000

Respectfully submitted,



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