



City Council Report

Date: October 17, 2022
To: City Council
Through: Michael Kennington, Deputy City Manager/Chief Financial Officer
From: Edward Quedens, Business Services Director
Kristy Garcia, Procurement Administrator
Subject: Emergency Purchase and Authorization for Electrical Transformers for the Energy Resources Department **(Citywide)**

Purpose and Recommendation

Council is requested to approve the award as recommended.

The Energy Resources Department and Purchasing recommend ratifying the emergency purchase with SRP at \$235,515.33, and authorizing future purchases with various qualified vendors at \$1,263,348.67, for the combined total of \$1,498,864.

Background / Discussion

Due to supply chain concerns with their electrical equipment supply, Energy Resources requested emergency authorization to make a substantial purchase of electrical transformers to push us through and refill inventory until things stabilize further.

The Energy Resources Department is seeking to purchase 63 electrical transformers to ensure that the City has adequate stock to replace those transformers that are expected to wear out due to normal lifecycle concerns (Operations and Maintenance, 35 units) and purchase transformers to cover short-term obligations for development projects in the Electric Service Area (Project Order, 28 units).

Energy Resources will first attempt to first purchase these transformers from surrounding utilities (and utilities across the U.S.) in the case that they have spare stock as that is seen as the most expeditious manner of purchasing these transformers. Initial outreach to SRP indicated they have up to 27 units available in their immediate stock. In the instance that these are not available for purchase through other utilities, Energy Resources will source the transformers from qualified vendors outside of the existing transformer contract through Purchasing.

This effort is in conjunction with other efforts to:

1. Purchase additional transformers via Mesa's existing contract, however, these transformers are experiencing extremely long lead times, and Mesa is limited to only one vendor for that purchase;
2. Initiate a new contract alongside Purchasing to bring on more transformer vendors and provide more flexibility in the transformer purchasing market, however, this contract will not likely be approved by City Council until Q4 2022,

3. Initiate a contract to be able to refurbish worn-out transformers, however, this similarly won't be available until Q4 2022 and each refurbishment will take considerable time.

The combination of these methods is absolutely necessary to ensure continuity of service in the Electric Service Area as Energy Resources has already had to start substituting sizes in the field to make things work.

Energy Resources recommended and enacted this emergency purchase and authorization as soon as possible. The emergency authorization for the purchase of 63 transformers for \$1,498,864 is shocking but necessary when you combine record (customer and system load) growth with rapidly escalating pricing. SRP made a generous offer and provided 27 of the 63 transformers needed to keep things moving for \$235,515.33.

The emergency purchase was approved by the City Manager's Office to protect public health and public safety as provided in the City Code.

Purchase Information

Action: Emergency Purchase

Procurement Type: Multiple Quotes

Contract Number: 2023089

Vendor Names: To be Determined. Transformers will be requested from SRP and the American Public Power Association list serve which goes out to other City-owned electric utilities across the Country. If transformers are not available from either of those sources, Energy Resources' list of qualified transformer vendors will be used which includes Anixter, Border States, Clark Power, and Power Partners. The City will also be sourcing from a new vendor, One Source Supply which sells transformers manufactured by SETI.

Funding Sources: Enterprise Fund – Electric Utility Sub Fund and Capital Improvement Program Funds