TO: HONORABLE CITY COUNCIL

FROM: CITY MANAGER
DEPARTMENT: ADMINISTRATIVE SERVICES

DATE: APRIL 9, 2007
CMR:184:07

SUBJECT: APPROVAL OF A TERM CONTRACT WITH OKONITE COMPANY IN THE AMOUNT NOT TO EXCEED $800,000 ANNUALLY FOR THE AS NEEDED PURCHASE OF THREE TYPES OF MEDIUM VOLTAGE CABLES AND AUTHORIZATION FOR UP TO TWO ONE-YEAR CONTRACT EXTENSIONS

RECOMMENDATION
Staff recommends that Council:

1. Approve and authorize the City Manager or his designee to execute a Term Contract with Okonite Company in an amount not to exceed $800,000 per year.

2. Authorize the City Manager or his designee to execute Term Contract extensions for two additional one year periods.

DISCUSSION
To enhance the procurement method used to acquire medium voltage cables for the Utilities Department, the Purchasing Division has reinstituted a Term Contract process previously used. Through this process, a competitive solicitation is used to arrive at a contract that will be used on an as needed basis (versus predetermine fixed amount ordered) with the maximum dollar amount that can be order under this contract of $800,000 dollars per year. Moreover, this type of contract results in greater efficiency in the ordering and management of this commodity.

Medium voltage cables, also known as primary cables, are used in residential and commercial underground distribution circuits for the distribution of power. For purposes of this contract, there are three types of cables, 1/0 AWG, 750 MCM and 600 MCM. The voltage ratings of these cables are 15,000 Volts and the cables are manufactured to comply with City of Palo Alto cable specifications and industry standards.

A Request for Quotation (RFQ) for the as needed purchase of three types of medium voltage cable was issued in February 2007. The solicitation document was sent to six suppliers. Three suppliers responded, Okonite, HD Supply Utilities and Hendrix.
The RFQ for each cable requested a unit price per foot based on estimated annual quantities for purposes of making an award determination. Furthermore, these estimated quantities were determined based on previous annual usage and estimated future use. Additionally, the RFQ required bidders to include a provision for price adjustments for two optional 12-month contract extensions.

Okonite Company (the current contractor to CPA for medium voltage cable) submitted the lowest responsive bid among the three bids that were received. HD Supply Utilities submitted bid prices for only two of the three bid items and the bid unit prices submitted was higher in cost than Okonite’s bid price. The bid submitted from Hendrix was for an alternate type of cable that did not meet the specifications of the Quotation Request, therefore was not considered for award.

The proposed Term Contract requires Council approval because the not to exceed expenditure for this commodity will be $800,000 dollars per year. This amount is calculated based on historical usage of the three cables as well as anticipated future needs to the City.

**RESOURCE IMPACT**

There will be no new resource impact on the Electric Fund as a consequence of implementing this term contract. Electric Fund projects using cable have budgets that are sufficient to cover cable costs. When cable is purchased through the new term contract it will become part of the City’s Store’s inventory (as in the past). As the cable is used, inventory is reduced and the cost of the cable is charged to an Electric Fund budgeted project or to budgeted operating expense.

**POLICY IMPLICATIONS**

Authorization of this Term Contract does not represent any change to the existing policy.

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**ATTACHMENTS**

A: Bid Summary