

AGENDA



Thursday, July 26, 2007

**Purchasing Office
RECOMMENDATION FOR COUNCIL ACTION**
Item No. 43

Subject: Authorize award and execution of a 12-month requirements supply contract with HYUNDAI HEAVY INDUSTRIES, C/O HYUNDAI CORP., Orlando, FL, for 3-phase power transformers in an estimated amount not to exceed \$4,413,940, with three 12-month extension options in an estimated amount not to exceed \$4,413,940 per extension option, for a total estimated contract amount not to exceed \$17,655,760.

Amount and Source of Funding: Funding in the amount of \$4,413,940 is available in the Fiscal Year 2006-2007 Capital Budget of the Austin Energy Department. Funding for the extension options is contingent upon available funding in future budgets.

Fiscal Note: A fiscal note is attached.

For More Information: Dolores Castillo, Sr. Buyer /322-6466

Purchasing Language: Lowest bid meeting specifications of seven bids received.

MBE/WBE: This contract will be awarded in compliance with Chapter 2-9D of the City Code (Minority Owned and Women Owned Business Enterprise Procurement Program) No subcontracting opportunities were identified; therefore, no goals were established for this solicitation.

This contract will establish a 12- month supply agreement for the purchase of power transformers to be used throughout the various substations in the Austin Energy service area on an as needed basis. This type of large transformer is used to convert power delivered by the City's transmission system from 138,000 volts to the distribution level of 12,470 volts. This is necessary to provide power at a useable voltage to residential and commercial customers.

Transformer bids are evaluated based on the "total owning cost". The total owning cost is the purchase price plus the value of losses (electricity lost during the voltage reduction) over the expected 30-year life-span of the transformer. A mathematical formula was published in the solicitation to calculate the total owning cost offered in each bid. The contract amount reflects the purchase price.

MBE/WBE Solicited: 2/1

MBE/WBE Bid: 0/0

PRICE ANALYSIS

- a. Adequate competition.
- b. Forty-nine notices were sent, including two MBEs and one WBE. Seven bids were received, with no response from the MBE/WBEs.
- c. The pricing offered represents approximately 50% increase from the last contract award January 2006. This increase is due to higher costs for steel, labor, and transportation.

APPROVAL JUSTIFICATION

- a. Lowest bid received meeting specifications.
- b. The Purchasing Office concurs with Austin Energy's recommended award.
- c. Advertised on the Internet.