



MEMORANDUM

TO: Mayor and Council Members

CC: Marc A. Ott, City Manager *MAO*

FROM: Larry Weis, General Manager

DATE: October 24, 2012

SUBJECT: Critical Business Need to Purchase a 50MVA Power Transformer to Replace the Failed PL-789 Transformer Serving Freescale Semiconductor

ACTION:

As detailed below, and in accordance with City Council approved purchasing procedures, I have designated the purchase of a 50MVA power transformer to replace the failed PL-789 transformer in the Patton Lane Substation (serving Freescale Semiconductor) as a Critical Business Need of Austin Energy (AE).

AE is coordinating with Purchasing to bring a related RCA in December for your ratification.

BACKGROUND:

On September 20, 2012, the PL-789 transformer at Patton Lane Substation catastrophically failed, interrupting power to Freescale Semiconductor. The apparent cause of the failure was moisture ingress into a manhole during a rainstorm. The transformer is not field repairable and requires replacement. This transformer is one of two dedicated units feeding the Freescale Semiconductor plant in Oak Hill. To temporarily provide Freescale redundant power, AE is utilizing another transformer in the Patton Lane Substation as backup; however, this transformer will be required to serve other customers during summer of 2013. Therefore, AE needs to expedite the purchase of a replacement 50MVA transformer.

Due to AE's stringent specifications and because these transformers are engineered projects that require significant design review time, the following two previously qualified suppliers were solicited for quotation:

Hyundai Heavy Industries	\$1,123,551.00	Delivery 7/30/2013
Waukesha Electric	\$1,148,260.00	Delivery 6/30/2013

AE recommended that Waukesha be selected because the existing transformer foundation can be reused without modifications and because of the shorter delivery schedule.

For reference, AE's existing supply agreement with Hyundai Heavy Industries expired in January 2012. An Invitation for Bid (IFB) was advertised for a new contract in November 2011. That IFB was cancelled in May and re-advertised as a Request for Proposal on August 13, 2012. AE is currently reviewing proposals for a new supply agreement which is not anticipated to be finalized until February 2013.