



**Purchasing Contract  
CITY OF AUSTIN  
RECOMMENDATION FOR COUNCIL ACTION**

**AGENDA ITEM NO.: 31  
AGENDA DATE: Thu 03/23/2006  
PAGE: 1 of 2**

**SUBJECT:** Ratify execution of a contract with SOUTHWEST ELECTRIC COMPANY, Oklahoma City, OK, for remanufacturing of a power transformer in an amount not to exceed \$412,059.

**AMOUNT & SOURCE OF FUNDING:** Funding is available in the Fiscal Year 2005-2006 Approved Capital Budget of Austin Energy.

**FISCAL NOTE:** A fiscal note is attached.

**REQUESTING** Purchasing  
**DEPARTMENT:**for Austin Energy;

**DIRECTOR'S  
AUTHORIZATION:** Vickie Schubert

**FOR MORE INFORMATION CONTACT:** Dolores Castillo, Sr. Buyer, 512-322-6466

**PRIOR COUNCIL ACTION:** N/A

**BOARD AND COMMISSION ACTION:** N/A

**PURCHASING:** Lowest bid of two bids received.

**MBE / WBE:** This contract was awarded in accordance with Chapter 2-9 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.

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On September 27, 2005, the Howard Lane 456 transformer failed in service. The transformer is required to serve residential load from the Patton Lane Substation.

In November 2005, Southwest Electric Company was administratively awarded a contract to dismantle and inspect the failed unit. The subsequent inspection revealed this unit was suitable for remanufacturing. Remanufacturing includes disassembly, re-design, and re-construction using a combination of new and existing components.

A remanufactured transformer has the same life expectancy as a new transformer. Because of the urgent need, a Critical Business Need was approved by Austin Energy's General Manager. An abbreviated bidding process was completed, and award was made on January 30, 2006.

The decision was made to select remanufacturing for two reasons:

- 1) Cost savings of almost \$200,000 over the purchase of a new transformer.
- 2) Delivery of the remanufactured transformer is 12-13 weeks. Delivery for a new transformer is 35 weeks after receipt of order.

MBE/WBE Solicited: 0/0

MBE/WBE Bid: 0/0

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RCA Serial#: 10934 Date: 03/23/06 Original: Yes

Disposition:

Published:

Adjusted version published:



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**BID TABULATION**  
IFB No. DC06300004

	Southwest Electric Co. <u>Oklahoma City, OK</u>	ABB <u>San Antonio, Texas</u>
Remanufacture of Power Transformer 138kV	<b>\$412,059</b>	<b>\$495,620</b>

**PRICE ANALYSIS**

- a. Adequate competition.
- b. Fifteen solicitations were issued. Two bids were received. There are no known MBEs/WBEs for this commodity.
- c. The pricing offered represents a 1% increase from the last award in June 2001.

**APPROVAL JUSTIFICATION**

- a. Lowest bidder.
- b. Austin Energy concurs with recommended award.

## MEMORANDUM

**TO:** Mayor and Council Members  
Toby Hammett Futrell, City Manager

**FROM:** Juan Garza, General Manager  
Austin Energy

**DATE:** March 15, 2006

**SUBJECT:** Ratification of Contract with Southwest Electric Company for  
Remanufacture of a Transformer, as a Critical Business Need

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### BACKGROUND:

On September 27, 2005, an Austin Energy substation transformer (Howard Lane 456) failed in service. Depending on the cause for failure, transformers are eligible to be remanufactured, an accepted industry practice resulting in significant cost savings versus purchasing new equipment.

In October, AE solicited quotes for two distinct services: 1) dismantling and inspecting the failed transformer, and 2) if feasible, remanufacturing the unit. AE received two quotations for these services and in November 2005, AE contracted with low bidder Southwest Electric Company in Oklahoma City to dismantle and inspect the failed unit only. In December, the inspection revealed that the unit was suitable for remanufacture.

In January, Austin Energy was in the process of evaluating proposals for a long-term supply agreement for power transformers (which Council approved 1/26/2006 – Item 33). The delivery time for a new transformer purchased on the supply agreement would be 35 weeks after receipt of order (i.e., estimated to be September at earliest), at a cost of \$606,000.


However, AE had identified a critical need for a new transformer to be in service by May 2006 to serve the residential load from the Patton Lane substation. SW Electric had indicated it could remanufacture and ship the unit – the equivalent to a newly purchased

transformer – by the end of April 2006. Therefore, AE authorized SW Electric to proceed. AE has previously contracted with SW Electric to remanufacture three other transformers currently in service at three separate substations. All three units have been in service from five to nine years and are performing as required.

**RESOLUTION:**

I authorized AE to contract with Southwest Electric Company for the remanufacture of the Howard Lane 456 transformer to ensure AE was provided a reliable transformer to meet the projected load at the Patton Lane substation in a timely manner, at 68 percent of the cost of a new unit (i.e., \$412,058). This action was in accordance with the critical business need provision of the AE Purchasing Procedures adopted by the City Council. We will submit an RCA for ratification of this action on March 23.

Please let me know if you have any questions. I can be reached at 322-6002.

  
Juan Garza  
General Manager  
Austin Energy

cc: Byron Johnson, Purchasing Officer  
Cheryl Mele, Sr. Vice President, Electric Service Delivery

**CIP BUDGET**  
**Fiscal Note****DATE OF COUNCIL CONSIDERATION:**

3/23/2006

**WHERE ON AGENDA:**

Resolution

**DEPARTMENT:**

Austin Energy

**SUBJECT:** Ratify execution of a contract with SOUTHWEST ELECTRIC COMPANY, Oklahoma city, Oklahoma for remanufacturing of a power transformer in an amount not to exceed \$412,059.

**FINANCIAL INFORMATION:**

Parent Project Name: Distribution Substation  
Project Authorization: 2005-2006 Approved Capital Budget

Current Appropriation	\$ 68,753,349.00	
Unencumbered Balance		\$ 11,184,095.78
Amount of This Action		<u>(412,059.00)</u>
Remaining Balance		<u>\$ 10,772,036.78</u>

**Use of Remaining Balance:**

Remaining funds will be used for design, construction, equipment, and material acquisition to complete the project.

**Use of Any Remaining Funds After Completion of Project:**

No remaining funds anticipated at this time.

**Director, Planning and Budget Signature:** J.E. Pokorny**Date:** 3/9/2006