



Ocala

110 SE Watula Avenue
Ocala, FL 34471

www.ocalafl.org

Item Details

File Number: 2022-1379

ID #: 2022-1379

Type: Agenda Item

Status: Passed

Version: 1

Placement: 8

In Control: City Council

File Created: 08/18/2022

Presented By: :

Final Action: 09/06/2022

Item Title: Approve additional expenditures on a three-year contract for the purchase and stock of ester oil-filled single and three-phase transformers with Gresco Utility, Inc. for an increased total estimated expenditure of \$7,600,000

Internal Notes: Prior Approval: Agenda Item (ID#14529)

Target Meeting: 09/06/2022

Agenda Number: 8I.

Sponsors:

Enactment Date:

Attachments: EXECUTED CITY COUNCIL ELE-190961 Gresco Supply \$2.4M, FOR COUNCIL - Contract Purchase Orders (ELE-190961), 1Q21 Transformer Rolling CPI-3Q22, FY22 3rd Qtr. Ocala Transformer Pricing List, OcalaFL_PricingLetter

Enactment Number:

Recommendation:

Hearing Date:

Entered by: mbrooks@ocalafl.org

Effective Date:

Related Files:

History of Legislative File

Version:	Acting Body:	Date:	Action:	Sent To:	Due Date:	Return Date:	Result:
1	City Council	09/06/2022	Approved				Pass
Action Text:							
Notes: Mayor Guinn stated the vendor will keep transformers on-hand for the City. Director of Electric Utility Doug Peebles responded the original agreement was modified, due to supply chain issues, and the City has a slot of 25 transformers for expedited delivery. Furthermore, the City has 80 transformers located in the yard and 100's on back order. To note, the slots will be available on a monthly basis.							
Mayor Guinn asked if the transformers can be refurbished. Mr. Peebles responded yes. The City has a contract with Emerald Transformer; however, the City has discussed performing the refurbishing in-house.							

Council Member Dreyer congratulated Mr. Peebles on negotiating a successful agreeen with local developers. The developers have agreed to build at a steady pace due to the supply chain issues.

Mr. Peebles spoke on the developers building the houses at a steady pace due to suppl chain issues.

There being no further discussion the motion carried by roll call vote.

Aye: 4 Pro Tem Hilty Sr, Council Member Dreyer, Council Member Musleh, and
Council President Bethea Sr
Absent: 1 Council Member Mansfield

Text of Legislative File 2022-1379

Approve additional expenditures on a three-year contract for the purchase and stock of ester oil-filled s and three-phase transformers with Gresco Utility, Inc. for an increased total estimated expenditure of \$7,600,000

BACKGROUND:

Transformers are used daily by the Electric Department for the repair, maintenance, and expansion of our electric system. This contract ensures that adequate inventory levels are maintained to support daily operations and increase development projects within Ocala Electric Utility (OEU) territory.

On March 17, 2020, Council approved the Agreement for Transformer Supply and Delivery Services between the City of Ocala and Gresco Supply, Inc. (Contract#: ELE/190961) with an estimated aggregate expenditure amount of \$2,462,671 for the initial contract term. Current market conditions, including an average 50% pricing increase and increase in demand for transformers, has resulted in this request for an increase in contract expenditure. With current transformer shortages, long lead times and increased storm activity, warehouse staff has worked proactively in an attempt to secure excess inventory necessary to maintain adequate stock levels and anticipates \$2.2 million for transformer stock through the end of the initial contract term. The City has also seen an increase in large-scale development projects. Anticipated construction work orders requiring transformers are estimated at \$3 million.

Since contract inception, transformer expenditures have totaled \$7,425,525.99. Staff anticipates that the City will expend an additional \$200,000 to cover current and anticipated transformer purchases through the end of the initial contract term. Transformer manufacturers and suppliers will only issue transformers to those customers who have active contracts.

Contract ELE/190961 will expire on March 31, 2023 and includes the option for two (2) additional one-year (1-year) periods by written consent between the City and Vendor. Maintaining adequate inventory levels supports Council's strategic goals of quality of place and operational excellence by ensuring system reliability.

FINDINGS AND CONCLUSIONS:

OEU is experiencing an increase in demand for transformers due to a combination of new large development projects and the replacement of aging equipment on the system. Simultaneously, the electric industry has dramatically increased the overall demand for underground transformers. Many large utilities have initiated multi-year plans to underground most of their distribution infrastructure to mitigate against wildfires and significant storms. Combined with manufacturing capacity limits, labor, and raw material shortages, we face unprecedented supply chain challenges that show minimal signs of improvement.

As a result, the current industry supply chain problems have severely slowed the delivery of transformers and other critical materials to OEU, resulting in projects being delayed. Delays can ultimately impact electric service connections for commercial and residential customers.

The average lead time on transformers is estimated at 62 weeks and often extends to 104 weeks. The delays have caused significant work stoppages in the planning and implementation of major development projects. Due to the current extended lead times from supply chain bottlenecks, staff has been directed to order additional transformers to aid in maintaining adequate inventory stock levels.

FISCAL IMPACT:

These items are inventory stock and are charged to 457-141-000-000-41-14100.

PROCUREMENT REVIEW:

The Procurement and Contracting Department will review additional purchases to ensure compliance with the City's Procurement Policy.

LEGAL REVIEW:

The underlying contract was reviewed and approved as to form and legality by City Attorney, Robert W. Batsel, Jr.

ALTERNATIVE:

Table for further discussion and guidance.

Presentation By: Doug Peebles