

Procurement Authorization - Purchase Order Amendment For The Supply Of Miscellaneous Electrical Components And Supplies

Meeting Date: August 27, 2008

Subject: Procurement Authorization - Purchase Order Amendment For The Supply Of Miscellaneous Electrical Components And Supplies

Recommendation

It is recommended that the Commission approve the issuance of a Purchase Order Amendment to Wesco Distribution Canada LP to extend the current contract term from October 14, 2008 to November 30, 2008 for the supply of miscellaneous electrical components and supplies and to increase the total upset limit by \$1,700,000 to a revised total of \$9,800,000.

Funding

Sufficient funds for these expenditures are included in the 2008 TTC Operating Budget and 2008-2012 Capital Budget, which was approved by City Council on December 11, 2007. The capital requirements are direct purchases for approved projects within 2.1 Traction Power, 2.2 Power Distribution Electrical Systems, 2.3 Communications, 2.4 Signal Systems and 3.2 Equipment budgets.

Background

At its meeting of September 21, 2005, the Commission approved the award of a contract to Wesco Distribution Canada LP for the supply of miscellaneous electrical components and supplies in the upset limit amount of \$8,100,000 for the period of October 15, 2005 to October 14, 2008.

The Commission has a continuing need for the supply of miscellaneous electrical components and supplies to maintain the extensive amount of electrical equipment and systems in the Commission's surface and subway facilities. The Commission's electrical requirements are varied and cover a broad range of components and based on history, staff cannot establish a pattern of repeat purchases. This situation has occurred as the Commission's surface and subway electrical facilities have been built over a long period of time during which electrical standards have changed significantly. As a result, electrical equipment purchases particularly for Capital Projects tend to be customized for each facility. These parts must be readily available and due to large variety of parts required, it is not cost effective to maintain an internal inventory.

The Commission's total requirements at the time were consolidated into a single contract to streamline administration and obtain the best possible pricing. The original upset limit amount for this contract was established based on historical information which indicates purchases of approximately \$230,000 per month and includes a contingency of 10% for price increases and fluctuations in usage over the three years of the contract.

Discussion

Due to work load and issues related to significant staffing changes within the Materials and Procurement Department, the renewal of the contract for the supply of miscellaneous electrical components and supplies has been delayed. As a result, staff is requesting an extension to the existing contract from October 14, 2008 to November 30, 2008.

Currently actual monthly expenditures have been exceeding forecast and it is estimated that funds remaining in the contract will be exhausted by September 2008. Based on forecasted expenditures for the balance of the contract (i.e. September 01, 2008 to November 30, 2008) it has been determined that approximately \$350,000 per month will be required.

Expenditures have been higher than expected as during the term of the current contract, Signals Electrical and Communications Department have initiated several major projects requiring significant capital expenditures. Such projects include replacement of SRT fuses, transformers, DC panel boards, electric powered switches and lighting replacement projects, etc. in an effort to maintain and upgrade extensive amounts of electrical equipment and systems.

Also there are current backorders for items previously ordered that have a longer lead time and are yet to be delivered and invoiced. An additional \$650,000 will be required to cover these expenditures until the contract expiry.

Based on projected expenditures for the balance of the contract to November 30, 2008 and the current backorders for Signals Electrical and Communication, staff recommends increasing the total upset limit amount for Wesco Distribution Canada LP by \$1,700,000 to \$9,800,000 to cover the expenditures until the proposed expiry of the contract. The recommended increase to the upset limit includes an allowance of approximately 10% for variation in usage over the remainder of the proposed contract term, which will expire November 30, 2008.

The proposed contract extension and increased upset limit will allow staff to execute the procurement process for a competitive renewal of the contract and will ensure sufficient funds are available for receipt of current backorders and forecasted increased expenditures. Staff is currently preparing the

requirements for a new Request for Proposal and the recommendation for the new contract will be the subject of a future Commission Report.

Justification

Approval of this amendment will ensure the uninterrupted supply of miscellaneous electrical components and supplies for the ongoing maintenance and upgrades to the extensive electrical equipment and systems in the Commission's surface and subway facilities.

July 31, 2008

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