



City Council Staff Report

From: City Manager

Report Type: CONSENT CALENDAR

Lead Department: Utilities

Meeting Date: June 16, 2025

Report #:2505-4702

TITLE

Approve and Authorize the City Manager or Designee to Execute Purchase Orders as Needed with the Okonite Company, Extending the Term for the Blanket Purchase Order for Purchase and Standardization of Underground Cable Through December 31, 2025, and to Increase the Not-to-Exceed Amount by \$100,000, for the Extension Period. CEQA Status: Not a Project.

RECOMMENDATION

Staff recommends that Council approve and authorize the City Manager or designee to execute an extension of the existing Blanket Purchase Order and equipment standardization with the Okonite Company (Okonite) through December 31, 2025, along with increased funds for the six month extension not to exceed an additional \$100,000.

EXECUTIVE SUMMARY

Staff recommends that the City Council approve extending the existing blanket purchase order authorization and equipment specification to purchase cables from Okonite, including both a six-month extension of time from the end of Fiscal Year 2025 to the end of the calendar year, December 31, 2025, and increasing funding by \$100,000 for the extension period, allowing Utilities to continue purchasing medium voltage cables while staff prepares a new longer-term purchase order. This recommendation will provide City staff the ability to continue to purchase medium voltage cable necessary for the completion of the Foothills Wildfire mitigation project, initial portions of the Grid Modernization Project, and to support various new and redevelopment projects or any unanticipated emergency repairs.

BACKGROUND

The electric distribution system in Palo Alto is comprised of overhead and underground wires to provide power to residents and commercial customers. For the underground system, City of Palo Alto Utilities' (CPAU) underground cable technical specification covers the physical and electrical requirements for operation on the City's medium voltage (4,000 and 12,000 Volts), 60 Hertz, 3-phase, and 3 or 4 wire systems. Cables used in CPAU operations must meet CPAU's cable specifications and industry standards.

The City's underground cable specification ensures a high level of performance and reliability standard. Over the past 20 years, CPAU staff have installed Okonite underground cable without a cable failure. Any exceptions to the underground cable specification by any cable manufacturer must be reviewed and approved. Okonite is the only cable manufacturer that fully meets the City's specification for both cable insulation and a manufacturing process that ensures quality and reliability. City Council has previously approved an equipment standardization with Okonite for medium voltage underground cable pursuant to Section 2.30.900 of the Palo Alto Municipal Code through the end of Fiscal Year 2025, and this report requests an extension of that standardization through the end of calendar year 2025.

ANALYSIS

Medium voltage cables are used in residential and commercial underground circuits for the distribution of power. Utilities underground electric system designs include four standard cable sizes that are regularly stocked; 1) 1100 kcmil, 25kV, 2) 750 kcmil, 15kV rated, 3) 600 kcmil, 25kV rated, and 4) 1/0 AWG, 25kV rated. Often, utilities must make unplanned repairs, so it is important to have standardized material and a supplier who has demonstrated the ability to ensure product quality, uniformity of manufacture, ready availability, timely delivery, and accommodation of City requirements that maintains staff familiarity with the product to support overall electric system reliability and resiliency.

Additionally, the City of Palo Alto's Grid Modernization Project involves the replacement and upgrade of aging electric infrastructure to support future energy demands. As electric loads are projected to increase—driven by the growing adoption of electric vehicle charging and the community's transition from gas to electric appliances—certain segments of the City's underground electric cable require upgrades to increase ampacity and to accommodate the additional load. Other cable segments will be replaced due to reaching the end of useful service life, which is approximately 30 years. In 2023 and 2024, expenditures for underground cable work totaled approximately \$537,911 and \$448,619, respectively, higher than the anticipated amount of \$350,000 annually, though within the original five-year budget approved by Council. As the Grid Modernization Project shifts its focus from overhead to underground infrastructure, staff anticipate increased underground construction activity and the need to purchase roughly 115,000 feet of underground cable annually over the next five years. Staff will return to Council with updated estimates for a new five-year contract but require this extension to complete critical undergrounding work in the Foothills over the summer of 2025.

The extension of the blanket purchase order authority and specification with Okonite for medium voltage underground cable will provide the following:

1. Base Pricing

- Okonite has provided the City with a base price for the four types of cable through December 31, 2025, the extended purchase order term.
- An adjustments to metal pricing may rise but cannot increase higher than the CPI-W index.
- If metal costs decrease the City will receive that pricing benefit.

- New or adjusted tariffs will impact the price per foot of cable. Changes to Okonite's material sourcing due to tariffs will be applied, up or down, and passed through to the City. To date, Okonite has absorbed cost increases due to new tariffs by limiting price increases to 1%. Future invoices during the extension term will include a separately stated charge for any tariff-impacted components.
- 2. Repair, maintenance, and replacement costs will be minimized.
 - Okonite is a supplier to PG&E which enables Palo Alto to benefit from bulk pricing discounts achieved when using the same cable as PG&E.
 - Okonite cable meets the City's specification for both cable insulation and manufacturing processes that ensures quality and reliability.
- 3. Supplies and spare parts are minimized.
 - As the City uses some of the same cable as PG&E, Okonite keeps stock on hand and can meet the City's short delivery requirements. Okonite maintains a minimum stock of the cables used by the City for emergency requests.
 - Okonite offers the City the ability to order reels cut to length for specific projects to help manage inventory and reduce waste.
 - Okonite's factory (Santa Maria, CA) is located relatively close to Palo Alto and can expedite delivery of cable if needed for emergencies.
- 4. Standardizing existing equipment facilitates efficient construction and maintenance practices by helping City employees to more effectively plan, design, identify, and work with existing utility infrastructure.
 - Engineers and field workers are familiar with and can easily identify and work with Okonite cables because of the existing prevalence of these cables in the City's system.
 - By using a standard product Utilities staff can implement a consistent maintenance and replacement program.

For the past 20 years, Okonite has consistently been the lowest responsive bidder and awarded the purchase order to supply medium voltage underground cable as needed to the City. In 2020, the Council approved staff's recommendation for a five-year standardization and authorization for a blanket purchase order for \$350,000 each year. Cable shipments have never been missed and there have been no quality issues associated with Okonite's cable. In addition, Okonite has provided excellent customer service to engineering and operations staff with training and support. Therefore, Staff requests an extension to the approved exception to the City's competitive solicitation requirements based on the approval of the equipment standardization, consistent with Section 2.30.360(e) of the Palo Alto Municipal Code.

Staff requests authorization to increase the not-to-exceed amount by \$100,000 through December 31, 2025. Any unspent funds will be returned to reserves or the capital improvement

project as part of the year end procurement process.

Timeline

The current purchase order with Okonite expires at the end of June 2025. The requested time extension will allow continued purchase of underground cables and increase the not-to-exceed amount by \$100,000 for the remaining six months of 2025, allowing for wildfire mitigation work, initial phases of the Grid-Modernization project and support of development projects. If the time extension and increase amount are approved, staff will initiate an internal process to establish a longer, five-year purchase authority for City Council's consideration at a later date.

FISCAL/RESOURCE IMPACT

Funding for this agreement is available from the FY 2026 Capital Budget in the Electric Fund Project EL-24000 (Grid Modernization) and EL-98003 (Electric System Improvements). The term agreement format means the City enters an agreement for an unspecified number of units, up to a maximum expenditure amount per year (PAMC 2.30.110) and items are ordered as needed, based on standard prices provided by the vendor.

The City's purchase order template permits the City to terminate without cause or for convenience by providing written notice to the contractor. In the event the City finds itself facing a challenging budget situation, and it is determined that City resources need to be refocused elsewhere, the City can terminate for convenience. Other options include amending the purchase order to reduce the cost, for example, by reducing the quantity of items purchased.

STAKEHOLDER ENGAGEMENT

This agreement for purchase of materials does not directly impact customers to require community outreach.

ENVIRONMENTAL REVIEW

Council's extension of time, funding, and specifications for the purchase of cables from Okonite does not meet the definition of a project pursuant to section 21065 of the California Public Resources Code and is otherwise categorically exempt from California Environmental Quality Act (CEQA), under section 15301 (repair or maintenance of existing facilities), and section 15302 (replacement or reconstruction of existing structures and facilities) of California Code of Regulations Title 14 (the "CEQA Guidelines").

ATTACHMENTS

None.

APPROVED BY:

Alan Kurotori, Director of Utilities