Exhibit to Agenda Items #6 & #7

6. Approve Contract Change No. 4 to Contract No. 4600000965 with Cooper Power Systems, LLC to extend the contract expiration date by five years from March 20, 2023, to March 20, 2028, and to increase the contract amount by $70 million from $49.5 million to $119.5 million plus sales/use tax.

7. Determine and declare that a “great emergency” exists and authorize the Chief Executive Officer and General Manager to enter into a direct procurement contract with one or more qualified suppliers to provide a secondary source of distribution transformers for a period of up to five years for a total aggregate contract amount not to exceed $30 million.

Board of Directors Meeting
Thursday, July 21, 2022, scheduled to begin at 5:30 p.m.
Virtual Meeting (online)
Supply chain challenges

- Combination of multiple drivers created an emergency situation

- As a National level emergency, President Biden invoked the Defense Production Act Declaration for energy, including transformers, and electric grid components (June 2022)

- Over the past year, staff identified potential transformer shortages and shared with the Board actions and tactics taken to mitigate shortages

- Unfortunately, order shortfall trends combined with increased demand continues, exacerbating SMUD’s transformer shortage
Significant increase in transformers required

The volume increases have been steadily rising due to construction demand from new residential and commercial load.
Significant cost pressure

- SMUD’s unit prices have increased by 60% on average since the beginning of 2020
- The distribution transformer industry cost index has increased by 70% in the same time period
Procurement Strategy

In response, staff is requesting new Board Procurement authorizations:

1. Increase and extend the contract with current vendor, EATON
   - Fund increased quantity of purchases and higher prices going forward
   - Provides greater assurance of continuity of supply

2. Develop a secondary source of supply with new vendor(s) to increase inventory quantity and mitigate risk
Current Transformer Vendor

- SMUD has had a single distribution transformer manufacturing partner for 20+ years, EATON
- The current agreement was established through an RFP in 2016, a Board award of $45M
- Transformers are manufactured in Texas and in Wisconsin
- Eaton is a strong partner in supply chain sustainability and an Electric Utility Industry Sustainable Supply Chain Alliance (EUISSCA) supplier
- There is no Supplier Education and Economic Development (SEED) availability in this category
Contract with Secondary Supplier

• Increase suppliers from one to two or more suppliers, to increase transformer inventory for risk mitigation
• Traditional solicitation approach has been unsuccessful, due to unprecedented conditions
• With Board’s emergency declaration, requesting that Procurement Director be authorized to contract with other suppliers
• While this will not be bid, Procurement staff will ensure market-based pricing
• Will continue to update the Board on progress and new contract information
Requested Actions

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