

AGENDA ITEM SUMMARY

FORT COLLINS CITY COUNCIL

ITEM NUMBER: 6

DATE: July 15, 2008

**STAFF: Terri Bryant
Steve Catanach**

SUBJECT

Second Reading of Ordinance No. 074, 2008 Appropriating Prior Year Reserves in the Light and Power Fund for Capital Expansion at the Portner Substation and Capital Additions to the Timberline Substation.

RECOMMENDATION

Staff recommends adoption of this Ordinance on Second Reading.

EXECUTIVE SUMMARY

This Ordinance, unanimously adopted on First Reading on July 1, 2008, authorizes the appropriation of \$4,017,604 in prior year reserves in the Light and Power Fund for substation facilities. The funds will be used to supplement existing appropriations for the Portner Substation, located west of the Transfort facility. In addition, the appropriation will also purchase and install two transformers and foundations for the Timberline Substation, south of Prospect Road.

ATTACHMENTS

1. Copy of First Reading Agenda Item Summary - July 1, 2008.
(w/o original attachments)

AGENDA ITEM SUMMARY

FORT COLLINS CITY COUNCIL

ITEM NUMBER: 20

DATE: July 1, 2008

STAFF: Terri Bryant
Steve Catanach

COPY

SUBJECT

First Reading of Ordinance No. 074, 2008 Appropriating Prior Year Reserves in the Light and Power Fund for Capital Expansion at the Portner Substation and Capital Additions to the Timberline Substation.

RECOMMENDATION

Staff recommends adoption of the Ordinance on First Reading.

The Electric Board reviewed this appropriation request at its June 18, 2008 meeting and concurred with the staff recommendation.

COPY

FINANCIAL IMPACT

This Ordinance authorizes the appropriation of \$4,017,604 in prior year reserves in the Light and Power Fund for substation facilities. The funds will be used to supplement existing appropriations for the Portner Substation. In addition, the appropriation will also purchase and install two transformers and foundations for the Timberline Substation.

EXECUTIVE SUMMARY

To meet the electric needs of current and future customers, the Utilities plans to build two new distribution substations at existing sites on Portner Road (west of the Transfort facility) and Timberline Road (south of Prospect). Funds for the Portner Substation were budgeted in 2008 and the Timberline Substation was planned for 2010. Two transformers are needed at each substation. The Utilities recently received bids for the substation transformers and the bids were 33% higher than budgeted. Vendors have indicated that the cost of transformers and electrical switchgear will continue to escalate at a rapid rate over the next two years due to increasing copper and core steel costs. To avoid future increases, the Utilities now propose to purchase all four transformers needed for the two substations based on the current bid. An appropriation of \$4,017,604 is needed to purchase the transformers, install foundations, and supplement the original switchgear budget. The funds are available from prior year reserves in the Light and Power Fund.

BACKGROUND

Portner Substation

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The Utilities have planned to build a substation at Portner Road and Trilby for many years. The site was purchased in 1981 before the area was developed. The construction of the Portner Substation was budgeted for 2008 at a total of \$5.2 million. Two 230 kilovolt transformers are needed for the Portner Substation. These transformers were recently bid. While staff knew that the cost of transformers had escalated, the bids for the Portner Substation came in \$797,918 higher than budgeted. The total bid for the two transformers was \$3,197,918 compared to the budget of \$2,400,000. An appropriation of \$797,918 is needed to supplement the existing appropriation to purchase the transformers for the Portner Substation. Electrical substation switchgear for Portner is expected to be \$1,775,000. An appropriation of \$275,000 is needed to supplement the original budgeted amount of \$1,500,000. In total, an additional appropriation of \$1,072,918 is needed for the Portner Substation.

Timberline Substation

A transmission substation has been in place at the Timberline Substation site near the southwest corner of Timberline and Prospect since the mid 1970s. A distribution substation is planned for the same site in 2010. This substation requires two 115 KV transformers. Due to the rapid rise in transformer costs, when the Portner transformers went out for bid, the Utilities also requested bids for these two 115 KV transformers. Bids for the 115 KV transformers were received totaling \$2,700,686. Based on evaluation of the bids and projections of future cost increases, staff has determined that it is fiscally prudent to purchase the two 115 KV transformers at this time and to store them on the Timberline site until the substation is built in 2010. This will require an appropriation from prior year reserves for both the transformer purchase and install and for the construction of foundations for the transformers. Staff is recommending that Council appropriate \$2,944,686 for these transformers and the foundations.

The total appropriation request for both substations totals \$4,017,604.

ATTACHMENTS

1. Electric Board Minutes

COPY

ORDINANCE NO. 074, 2008
OF THE COUNCIL OF THE CITY OF FORT COLLINS
APPROPRIATING PRIOR YEAR RESERVES IN THE
LIGHT AND POWER FUND FOR CAPITAL
EXPANSION AT THE PORTNER SUBSTATION AND
CAPITAL ADDITIONS TO THE TIMBERLINE SUBSTATION

WHEREAS, the staff of the Light and Power Utility has identified a need to build a substation at Portner Road and Trilby Road as part of the 1984 Master Plan Study; and

WHEREAS, due to anticipated long range growth in the area and the annexation of the Southwest Enclave, the Portner Substation is planned for construction in 2008; and

WHEREAS, City staff budgeted the cost of two transformers and associated equipment for the Portner Substation at \$3.9 million, but unusual increases in copper and core steel costs resulted in a bid that was \$1,072,918 more than the amount budgeted; and

WHEREAS, new load additions are also anticipated in the area of the Timberline Substation located near Timberline and Prospect Roads which necessitate the purchase and installation of two additional transformers at an estimated cost of \$2,944,686; and

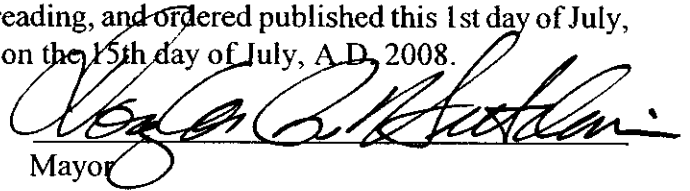
WHEREAS, staff anticipates beginning construction of the capital additions to the Timberline Substation in 2010 but has decided that, due to the escalating cost of transformers, the transformers for the 2010 addition should be purchased this year and stored at the Timberline Substation site until needed; and

WHEREAS, there are adequate prior year reserves in the Light and Power Fund to cover the total appropriation for both substations of \$4,017,604; and

WHEREAS, Article V, Section 9, of the Charter of the City of Fort Collins permits the City Council to appropriate by ordinance at any time during the fiscal year such funds for expenditure as may be available from reserves accumulated in prior years, notwithstanding that such reserves were not previously appropriated.

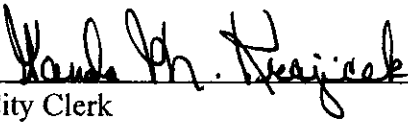
NOW, THEREFORE, BE IT ORDAINED BY THE COUNCIL OF THE CITY OF FORT COLLINS that there is hereby appropriated for expenditure from the Light and Power Fund Reserves the sum of FOUR MILLION SEVENTEEN THOUSAND SIX HUNDRED FOUR DOLLARS (\$4,017,604) for the purchase and installation of Portner and Timberline Substation equipment.

Introduced, considered favorably on first reading, and ordered published this 1st day of July, A.D. 2008, and to be presented for final passage on the 15th day of July, A.D. 2008.



Mayor

ATTEST:



City Clerk

Passed and adopted on final reading this 15th day of July, A.D. 2008.

Mayor

ATTEST:

City Clerk