

Alcatel Contract Extension 03-33

Preserving favorable terms to benefit customers

Dec. 4, 2017
No action requested today

Why We Are Here?

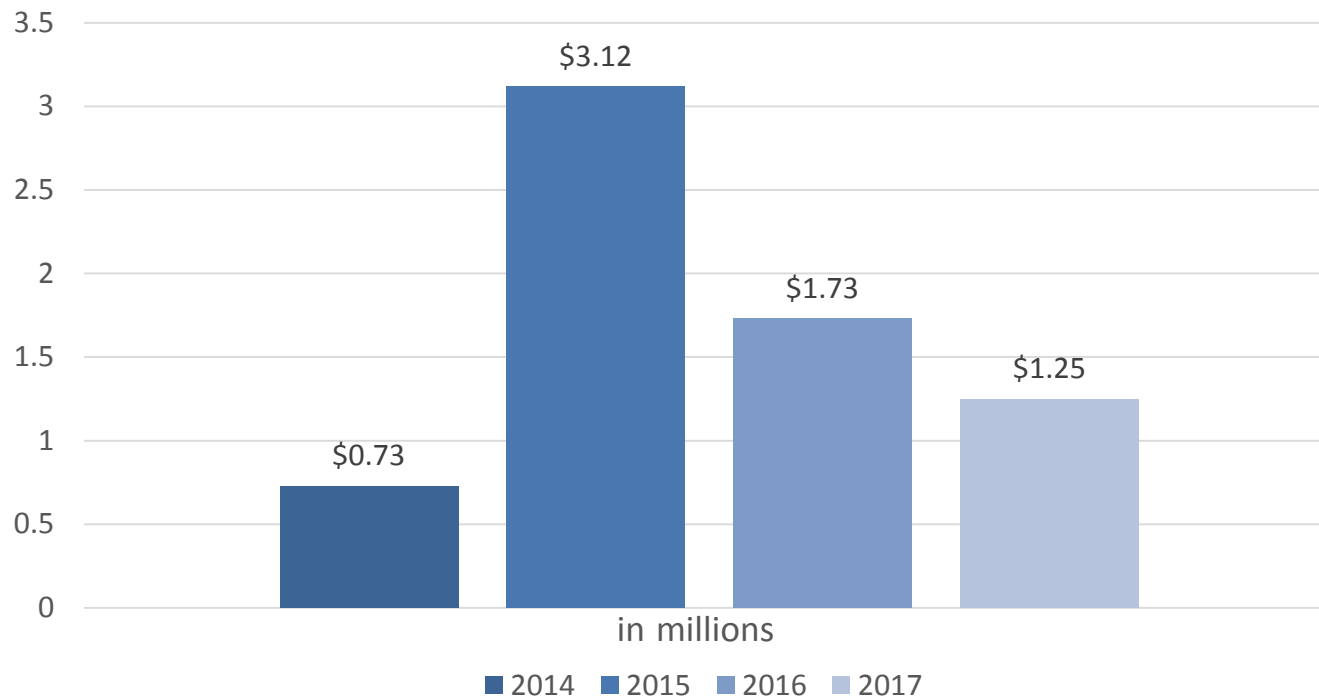
- Continue sole source declaration
- Extend contract to lock in favorable terms and anticipated discount
 - Current contract expires Dec. 31, 2018
- Add \$9.12M to existing Alcatel contract for equipment and services to support:
 - Public Power Benefit Expansion
 - On-going system capital and operational projects
- No action requested today: Plan to request Board action on Dec. 18, 2017

Background

- 2003:
 - Entered into sole source contract with Alcatel
 - Purchase of network equipment including warranty and support services
- 2007, 2011 & 2013:
 - Extended contract preserving terms & conditions; added funds
 - Continued declaration of sole source
 - Delegate authority to General Manager
- 2014:
 - Added funds for BPON system upgrade

Spending Breakdown

- Since 2003 – \$25.63M
- Since 2013 extension – \$6.83M



Why Continue Sole Source?

- Proven product performance with excellent business and technical support
 - Established staff expertise in Alcatel solution
- Alternatives would require significant investment and logistics to maintain
 - Parallel networks to operate, manage and develop service offerings
- Enhanced value to customers through standardized operations and service delivery

Why Continue Contract Extension?

- Pricing and payment terms
 - “Most favored customers” provision guarantees lowest price for equipment
- Delivery of product terms
 - Freight on Board (FOB) District Headquarters
- Maintenance and support
 - Allows for addition and changes of equipment and software as required

Breakdown of Requested Funds

- Add funds of \$9.12M to Alcatel contract with a revised “not to exceed amount” of \$38M through 2022

Requested through Project Budget	Requested through Annual Budget
\$500,000 – PPB Expansion	\$1M – Routine Installations
\$650,000 – Core System Upgrade	\$2M – Routine Support Contracts
\$2.20M – Bandwidth Management	\$1M – Routine Maintenance and Upgrades
\$1.77M – Other Capital Projects	
\$5.12M Total	\$4M Total

Next Steps

- At Dec. 18, 2017 Board Meeting:
 - Request Board declaration of continued Sole Source
 - Request Board approval of resolution to extend contract to preserve favorable terms & conditions through Dec. 31, 2022
 - Add funds of \$9.12M to Alcatel contract with a revised “not to exceed amount” of \$38M