

AGENDA ITEM 9-A
ACTION ITEM

TO: CHAIRMAN ZIMMERMAN AND THE VRE OPERATIONS BOARD

FROM: DALE ZEHNER

DATE: MARCH 20, 2009

**RE: AUTHORIZATION TO MODIFY THE CONTRACT FOR NEW
LOCOMOTIVE PURCHASE**

RECOMMENDATION:

The VRE Operations Board is being asked to recommend that the Commissions authorize the Chief Executive Officer to modify the contract with Motive Power, Inc., for the purchase of locomotives so that the base order is increased from five to up to nine locomotives, increasing the contract value to **\$33,103,342, plus a 10% contingency of \$3,310,334, for a total amount not to exceed \$36,413,676.**

BACKGROUND:

In January of 2008, the Operations Board authorized VRE to enter into a contract with Motive Power of Boise, Idaho for the manufacture of two new locomotives in an amount not to exceed \$9.6 million. In October of 2008, VRE received additional grant funding which allowed three additional units to be added to the base order for a contract total of \$20.3 million.

Since October, the Stimulus Bill was enacted and VRE is expected to receive another \$9.8 million to purchase locomotives. As a result, this Board authorization is being requested to increase the base order by up to four additional units, using a combination of the stimulus funds, federal formula funds and a federal earmark approved in FY 2008. While an amendment to the contract will not occur until funds are in hand, VRE staff is requesting approval now so that the contract can be amended immediately upon receipt of funds.

The contract is structured such that the unit price decreases when additional units are added to the base order. As such, the original price per unit, when ordering two, was \$4,379,271. The unit price was reduced to \$3,694,922 when the order increased to five. **The price for the next four, or more, units was negotiated at \$3,657,183. The contract value is now structured to include \$18,474,610 for the first five units (\$3,694,922 each) and \$14,628,732 for the next four units (\$3,657,183 each). This Board authorization replaces all previous authorizations.**

In January 2008, the Operations Board also authorized up to \$4,145,920, including contingency, to STV, Inc. for construction engineering and inspection services for the purchase of all twenty locomotives. Similar to the locomotive contract, this contract was structured to allow incremental notices to proceed, such that authorization will be issued concurrently and proportionately with locomotive option orders. As such, no additional Board authorization is needed for the oversight work.

FISCAL IMPACT:

Funding is available from the locomotive acquisition project in the VRE capital budget. This additional funding is via the American Recovery and Reinvestment Act, federal formula funds and a federal earmark approved in FY 2008.

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RESOLUTION
9A-3-2009
OF THE
VIRGINIA RAILWAY EXPRESS
OPERATIONS BOARD

WHEREAS, in January of 2008, the Operations Board approved the award of a contract to Motive Power, Inc. for the manufacture of two new locomotives at a cost of \$4,379,271 per unit; and,

WHEREAS, in October of 2008, VRE received additional grant funding which allowed three additional units to be added to the base order for a contract total of \$20.3 million; and,

WHEREAS, since October, the Stimulus Bill was enacted and VRE is expected to receive another \$9.8 million to purchase locomotives; and,

WHEREAS, this Operations Board authorization is being requested to increase the base order by up to four additional units.

NOW, THEREFORE, BE IT RESOLVED THAT, the VRE Operations Board recommends that the Commissions authorize the Chief Executive Officer to modify the contract with Motive Power, Inc., for the purchase of locomotives so that the base order is increased from five to up to nine locomotives, increasing the contract value to **\$33,103,342, plus a 10% contingency of \$3,310,334, for a total amount not to exceed \$36,413,676.**