

AGENDA ITEM 9-B
ACTION ITEM

TO: CHAIRMAN ZIMMERMAN AND THE VRE OPERATIONS BOARD

FROM: DALE ZEHNER

DATE: MARCH 20, 2009

**RE: AUTHORIZATION TO INCREASE CONTRACT AMOUNT FOR
LOCOMOTIVE FUEL SUPPLY AT BOTH YARDS**

RECOMMENDATION:

The VRE Operations Board is being asked to authorize the Chief Executive Officer to amend the existing contract with Mifco Heating Oil of Manassas, Virginia for the delivery of diesel fuel to the Broad Run Yard by \$600,000, for a total amount not to exceed \$2,900,000.

The VRE Operations Board is also being asked to authorize the Chief Executive Officer to amend the existing contract with Quarles Petroleum Company of Fredericksburg, Virginia for the delivery of diesel fuel to the Crossroad Yard by \$200,000, for a total amount not to exceed \$3,200,000.

BACKGROUND:

In April of 2008, the VRE Operations Board authorized execution of the third option year for each of the fuel contracts. The contract with Mifco for Broad Run was authorized in the amount of \$2.3 million and the contract with Quarles for Crossroads was authorized in the amount of \$3 million.

The higher than projected level of expenditures is attributed to more fuel usage than estimated. This increase is due primarily to increased ridership and the use of F-40 locomotives in VRE's fleet. The F-40's consume nearly twice the amount of fuel as a GP-39. While every effort is made to use only GP-style units for VRE

service, the F-40's must be used when a GP unit is undergoing a scheduled or unscheduled repair.

At the time of the last authorization, usage was projected at 1,685,000 gallons for the year. Usage has been recalculated and is now estimated at 1,830,000 gallons for the year.

This authorization does not impact the action last month to execute fuel contracts for the next fiscal year.

FISCAL IMPACT:

Funding will be provided by the FY 2009 and FY 2010 operating budgets.

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RESOLUTION
9B-03-2009
OF THE
VIRGINIA RAILWAY EXPRESS
OPERATIONS BOARD

WHEREAS, in April of 2008, the VRE Operations Board authorized execution of the final option year to Mifco Heating Oil in an amount not to exceed \$2,300,000 for services at Broad Run Yard; and,

WHEREAS, in April of 2008, the VRE Operations Board also authorized the final option year for Quarles Petroleum Company in an amount not to exceed \$3,000,000; and,

WHEREAS, current estimates place the projected expenditures on fuel beyond this authorization limit by the end of the contract year for both yards; and,

WHEREAS, this increase is attributable mostly to an increase in usage; and,

WHEREAS, amendments to the current option year contract values are needed.

NOW, THEREFORE, BE IT RESOLVED THAT, the VRE Operations Board authorizes the Chief Executive Officer to amend the existing contract with Mifco Heating Oil of Manassas, Virginia for the delivery of diesel fuel to the Broad Run Yard by \$600,000, for a total amount not to exceed \$2,900,000.

BE IT FURTHER RESOLVED THAT, the VRE Operations Board authorizes the Chief Executive Officer to amend the existing contract with Quarles Petroleum Company of Fredericksburg, Virginia for the delivery of diesel fuel to the Crossroad Yard by \$200,000, for a total amount not to exceed \$3,200,000.