

AGENDA ITEM 8-C
ACTION ITEM

TO: CHAIRMAN KAUFFMAN AND THE VRE OPERATIONS BOARD

FROM: DALE ZEHNER

DATE: MAY 18, 2007

**RE: AUTHORIZATION TO EXERCISE OPTION FOR LOCOMOTIVE
FUEL SUPPLY AT THE BROAD RUN YARD**

RECOMMENDATION:

The VRE Operations Board is being asked to recommend that the Commissions authorize the Chief Executive Officer to exercise the third option year to Mifco Heating Oil of Manassas, Virginia for the delivery of diesel fuel to the Broad Run Yard for VRE's locomotive fleet. The option is being requested in an amount not to exceed \$1,600,000.

BACKGROUND:

VRE locomotives require fueling every night after performing revenue service. Over the course of a year, VRE consumes approximately 630,000 gallons of diesel fuel at the Broad Run Yard. In May of 2006, the Operations Board authorized the second option year for fuel delivery to Mifco Heating Oil of Manassas, Virginia in an amount not to exceed \$1.6 million.

Following another year of service, VRE staff is recommending award of the third option year. While the estimated year-end value for FY 2007 is \$1.3 million, this year's option amount is being recommended at the same contract level due to fluctuating fuel prices and the upcoming requirement to switch to low sulfur fuel. In addition, VRE staff continues to work with the fuel vendor in an effort to monitor the appropriate timing of hedging opportunities.

FISCAL IMPACT:

Funding will be provided by the FY 2007 and FY 2008 Operating Budgets.

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**RESOLUTION
8C-05-2007
OF THE
VIRGINIA RAILWAY EXPRESS
OPERATIONS BOARD**

WHEREAS, VRE consumes approximately 630,000 gallons of fuel each year at the Broad Run Yard; and,

WHEREAS, VRE awarded a contract for the provision of fuel to Mifco Heating Oil of Manassas, Virginia in 2004, with option years awarded in 2005 and 2006; and,

WHEREAS, the second option year of this contract has been successfully completed, prompting VRE staff to recommend the execution of a third option year.

NOW, THEREFORE, BE IT RESOLVED THAT, the VRE Operations Board recommends that the Commissions authorize the Chief Executive Officer to exercise the third option year to Mifco Heating Oil of Manassas, Virginia for the delivery of diesel fuel to the Broad Run Yard for VRE's locomotive fleet. The option is being requested in an amount not to exceed \$1,600,000.