

AGENDA ITEM 8-D
ACTION ITEM

TO: CHAIRMAN JENKINS AND THE VRE OPERATIONS BOARD

FROM: DALE ZEHNER

DATE: SEPTEMBER 19, 2008

**RE: AUTHORIZATION TO EXERCISE THE FIRST OPTION YEAR OF
THE LOCOMOTIVE LUBE OIL CONTRACT**

RECOMMENDATION:

The VRE Operations Board is being asked to authorize the Chief Executive Officer to execute the first option year of a contract with Quarles Petroleum for the provision of lube oil delivery services at both VRE yards in an amount not to exceed \$400,000.

BACKGROUND:

In August of 2007, the VRE Operations Board authorized execution of a contract with Quarles Petroleum of Fredericksburg, Virginia for the provision of lube oil and other locomotive fluids used to top off the locomotives in the Virginia yards. Prior to the award of this contract, lube oil and associated products were added to VRE's locomotive fleet by Amtrak personnel in Washington during the mid-day. As maintenance functions shifted to the VRE yards, this work began to be performed during the night time layover in the Virginia yards.

The base year of this contract was approved in an amount not to exceed \$300,000, of which \$280,000 has been spent to date. Given the volatility of the fuel market, the contract allowed the vendor to request pricing adjustments once every ninety days. During the latter half of the base contract year, VRE experienced a 25% increase in the price of the products. As such, in an effort to

prepare for additional potential price increases, VRE is seeking authority for \$400,000. Pricing increase requests are only permitted on a pass through basis and require evidence of the same increase in the product price to the vendor. Pricing was provided on a fixed price per item basis and includes freight. VRE staff will return to the Board next year for permission to exercise the second and final option year.

FISCAL IMPACT:

Funding for this project is available from the FY 2009-2010 Operating budgets.

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RESOLUTION
8D-09-2008
OF THE
VIRGINIA RAILWAY EXPRESS
OPERATIONS BOARD

WHEREAS, lube oil and associated products were previously added to VRE's locomotive fleet by Amtrak personnel in Washington during the mid-day; and,

WHEREAS, as maintenance functions were shifted to the VRE yards, this work is now being performed during the night time layover in the Virginia yards; and,

WHEREAS, in order to perform such services, it is necessary to have the products available at those locations; and,

WHEREAS, in August of 2007, the VRE Operations Board authorized execution of a contract with Quarles Petroleum of Fredericksburg, Virginia for the provision of these services; and,

WHEREAS, authorization for the first option year is now being requested.

NOW, THEREFORE, BE IT RESOLVED THAT, the VRE Operations Board authorizes the Chief Executive Officer to execute the first option year of a contract with Quarles Petroleum for the provision of lube oil delivery services at both VRE yards in an amount not to exceed \$400,000.