To: Chairman Smedberg and the VRE Operations Board

From: Doug Allen

Date: November 15, 2013

Re: Authorization to Issue an Invitation for Bids (IFB) for Locomotive Fuel Delivery Services

Recommendation:

The VRE Operations Board is being asked to authorize the Chief Executive Officer to issue an Invitation for Bids (IFB) for the delivery of fuel to the VRE locomotive fleet at the Broad Run and Crossroads maintenance and storage yards.

Background:

In 2009, the Operations Board authorized the award of fuel delivery contracts to the Broad Run and Crossroads yards. The contracts were subsequently awarded to Griffith Energy for the delivery of fuel to the Broad Run yard and Quarles Energy for delivery to the Crossroads yard. Both contracts are due to expire on July 5, 2014 and October 4, 2014 respectively.

As both contracts allow VRE to lock in future fixed prices for fuel, VRE also has a contract with Linwood Capital LLC for diesel fuel price risk management consulting services to assist with the process. VRE has been able to reduce cost volatility through the use of this fixed price mechanism. The fixed price is based on futures purchased by our fuel supplier. VRE has now locked in fixed prices through the end of both contract periods.

To avoid an interruption in the purchase cycle of these fixed price arrangements, it would be necessary to award the new fuel delivery contracts prior to the expiration of the current contracts.
Therefore, VRE proposes to solicit for these services earlier than normal so that a new contract can be in place and awarded, and futures pricing initiated, if appropriate. VRE has found this practice to help stabilize the volatility of the fuel component of the operating budget. The alternative is to award the contracts at a later time, although fuel would then be purchased at the market price for the early months of the new contract period.

Upon receipt of the bids, VRE will return to the Operations Board with a request to authorize a contract award in an effort to continue the services without interruption.

**Fiscal Impact:**

There is no fiscal impact associated with the issuance of this solicitation.
Virginia Railway Express  
Operations Board  

Resolution  
8G-11-2013

Authorization to Issue an Invitation for Bids (IFB)  
for Locomotive Fuel Delivery Services

WHEREAS, the contracts for the delivery of VRE’s locomotive fuel expire in 2014; and,

WHEREAS, over the past years, VRE purchased the majority of its fuel via fixed price agreements with its fuel suppliers; and,

WHEREAS, to avoid an interruption in the purchase cycle of those fixed price arrangements it is necessary to award the fuel delivery contracts prior to the expiration of the current fuel delivery contracts; and,

WHEREAS, a solicitation for these services shall be initiated.

NOW, THEREFORE, BE IT RESOLVED THAT, the VRE Operations Board authorizes the Chief Executive Officer to issue an Invitation for Bids (IFB) for the delivery of fuel to the VRE locomotive fleet at the Broad Run and Crossroads maintenance and storage yards.

Approved this 15th day of November 2013

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Paul Smedberg  
Chairman

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John Cook  
Secretary