Agenda Item 9-C
Action Item

To: Chairman Skinner and the VRE Operations Board
From: Doug Allen
Date: December 16, 2016
Re: Authorization to Execute Contract Options for Purchase and Delivery of Locomotive Fuel to VRE Yards

Recommendation:

The VRE Operations Board is asked to authorize the Chief Executive Officer to execute the third option year with James River Solutions of Ashland, VA for fuel at the Crossroads Yard and Griffith Energy Services, Inc. of Manassas, VA for fuel for the Broad Run Yard for the year ending June 30, 2018. The Contract option with James River Solutions is being recommended in an amount not to exceed $2,808,105 for a period of one year. The Contract option with Griffith Energy Services, Inc. is being recommended in an amount not to exceed $1,951,395 for a period of one year.

Background:

On July 1, 2016, the VRE Operations Board authorized execution of Contract Amendments with James River Solutions in an amount not to exceed $2,743,980, and Griffith Energy Services in an amount not to exceed $2,070,020, for the third contract year. Both Contracts have remaining two additional one-year options with the VRE Operations Board approval required for each option year. The third year for these Contracts expires on June 30, 2017.

Both Contracts allow VRE to lock in future fixed prices for fuel. VRE continues to work with a consultant to assist in this process. VRE has been able to reduce cost volatility through the use of this fixed price mechanism as the fixed price is based on futures purchased by
our suppliers. Exercising the option years now allows VRE to maximize the use of this mechanism. The total cost of the third option year is based on an estimated cost of $2.85 per gallon for 1.67M gallons.

**Fiscal Impact:**

The total of the requested contract option year authorizations for James River Solutions ($2,808,105) and Griffith Energy Services ($1,951,395) is $4,759,500. Funding is included in the proposed FY 2018 Operating Budget for Equipment Operations – Fuel, in the amount of $4,759,500.
Virginia Railway Express
Operations Board

Resolution
9C-12-2016

Authorization to Execute Contract Options for
Purchase and Delivery of Locomotive Fuel to VRE Yards

WHEREAS, the third option year Contracts to provide fuel at VRE yards will begin on July 1, 2017; and,

WHEREAS, exercising the option years before expiration of the prior option year will allow VRE to maximize the use of the fuel hedging mechanism to reduce cost volatility;

NOW, THEREFORE, BE IT RESOLVED THAT, the VRE Operations Board does hereby authorize the Chief Executive Officer to execute the third option year for the purchase and delivery of locomotive fuel at the Crossroads yard to James River Solutions in an amount not to exceed $2,808,105, for a period of one year; and,

BE IT FURTHER RESOLVED THAT, the VRE Operations Board does hereby authorize the Chief Executive Officer to execute the third option year for the purchase and delivery of locomotive fuel at the Broad Run yard to Griffith Energy Services, Inc. in an amount not to exceed $1,951,395, for a period of one year.

Approved this 16th day of December 2016

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Gary Skinner
Chairman

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Maureen Caddigan
Secretary