To: Chair Bennett-Parker and the VRE Operations Board
From: Rich Dalton
Date: May 21, 2021
Re: Authorization to Execute an Excess Facilities Agreement with Rappahannock Electric Cooperative for LOU Facility Electric Service

Recommendation:

The VRE Operations Board is asked to authorize the Chief Executive Officer to execute an Excess Facilities Agreement with the Rappahannock Electric Cooperative (REC) for additional electric service facilities necessary to accommodate the new Lifecycle Overhaul and Upgrade (LOU) Facility.

Summary:

Rolling stock maintenance activities at the LOU Facility will significantly increase the demand for electric power at VRE’s Crossroads Maintenance and Storage Facility (MSF). This action will authorize VRE to execute an agreement with REC for the installation and maintenance of additional electric service facilities at the Crossroads MSF beyond those that REC normally provides to its customers.

Background:

Rolling stock maintenance activities at the LOU Facility will significantly increase the demand for electric power at VRE’s Crossroads MSF. In order to receive the additional electric service, which is beyond what REC normally provides to its customers, VRE must enter into two agreements with REC: a Right of Way Easement Agreement (which is being separately recommended to the Operations Board for approval by the
Commissions), and an Excess Facilities agreement which sets forth the costs of installing and maintaining the new infrastructure.

REC is already in the process of upgrading their power transmission facilities to accommodate VRE’s additional demand. This work includes upgrading overhead lines from Summit Substation on Massaponax Church Road to Benchmark Road and installing new underground 35kv conductors from Benchmark Road to the entrance of Crossroads MSF. The cost of these investments outside of VRE’s property is being borne by REC.

Within Crossroads MSF, new transformers are needed at various locations, and these sites must be connected to the main feeder at the yard entrance. The new transformers will provide additional power for wayside power and lighting for the additional storage tracks. Also, additional power is needed for the new wheel truing machine, 30-ton overhead crane and drop table to be constructed within the LOU facility. The costs of purchasing and installing these new facilities inside the yard are being charged to VRE under the proposed Excess Facilities Agreement. Some existing electric facilities within the yard are being removed, and REC has provided a salvage credit against the total cost. VRE will also have a single primary meter at the yard entrance, which will eliminate multiple meters with minimum charges for each transformer.

Whenever such Excess Facilities are provided to a customer, the charges associated with the facilities are governed by “Schedule EF” which is filed by REC with the Virginia State Corporation Commission. Schedule EF offers two rate options for VRE: A) pay a monthly charge equal to 1.43% of the new installed cost of the facilities, or B) pay a one-time charge equal to the new installed cost plus a monthly charge equal to 0.82% of the new installed cost. VRE will be obligated by the terms of the agreement for a minimum of seven years, and the agreement will continue as long as the facilities are needed by VRE. The electric facilities erected within the right-of-way will remain the property of REC.

REC has provided an estimated new installed cost of the additional facilities within the Crossroads MSF of $264,780. This includes material costs of $272,245, labor costs of $43,114, and a salvage credit of $50,579. Given current interest rates and the expectation that the LOU Facility will be in use for decades to come, option B is preferred for VRE. Option B requires a one-time payment of $264,780, and a monthly charge of $2,171.20 per month for as long as the facilities are needed.

**Fiscal Impact:**

Funding for the LOU project, including construction, is provided through VRE’s federal formula funds and associated state and local matching funds, as indicated in VRE’s approved FY 2022-2027 Capital Improvement Program. The initial one-time payment for electric facilities installation will be funded through these existing capital funds. The ongoing monthly payments will be included in future operating budgets as part of the regular operations and maintenance costs of the LOU Facility.
Virginia Railway Express
Operations Board Resolution

7B-05-2021

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WHEREAS, VRE has adopted a lifecycle maintenance strategy for its rolling stock; and,

WHEREAS, VRE is in the process of constructing a new building at the Crossroads Maintenance and Storage Facility dedicated to lifecycle maintenance activities; and,

WHEREAS, additional electric service is required for the new Lifecycle Overhaul and Upgrade Facility; and,

WHEREAS, in order to provide the additional electric service required for the Lifecycle Overhaul and Upgrade Facility, the Rappahannock Electric Corporation is in the process of bringing a new feeder line to the Crossroads Maintenance and Storage Facility, as well as transformers and other equipment beyond what REC normally provides to its customers;

NOW, THEREFORE, BE IT RESOLVED THAT, the VRE Operations Board does hereby authorize the Chief Executive Officer to execute an Excess Facilities Agreement with the Rappahannock Electric Cooperative for additional electric service facilities at Crossroads Maintenance and Storage Facility necessary to accommodate the new Lifecycle Overhaul and Upgrade Facility.

Approved this 21st day of May 2021

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Elizabeth Bennett-Parker
Chair

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James Walkinshaw
Secretary