

Massachusetts Bay Transportation Authority

Fairmount Line Zero Emissions Project

Michael Muller, Executive Director of Commuter Rail

Jing Jing, Director of Commercial Strategy (Rolling stock), Rail Modernization

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Summary and Purpose

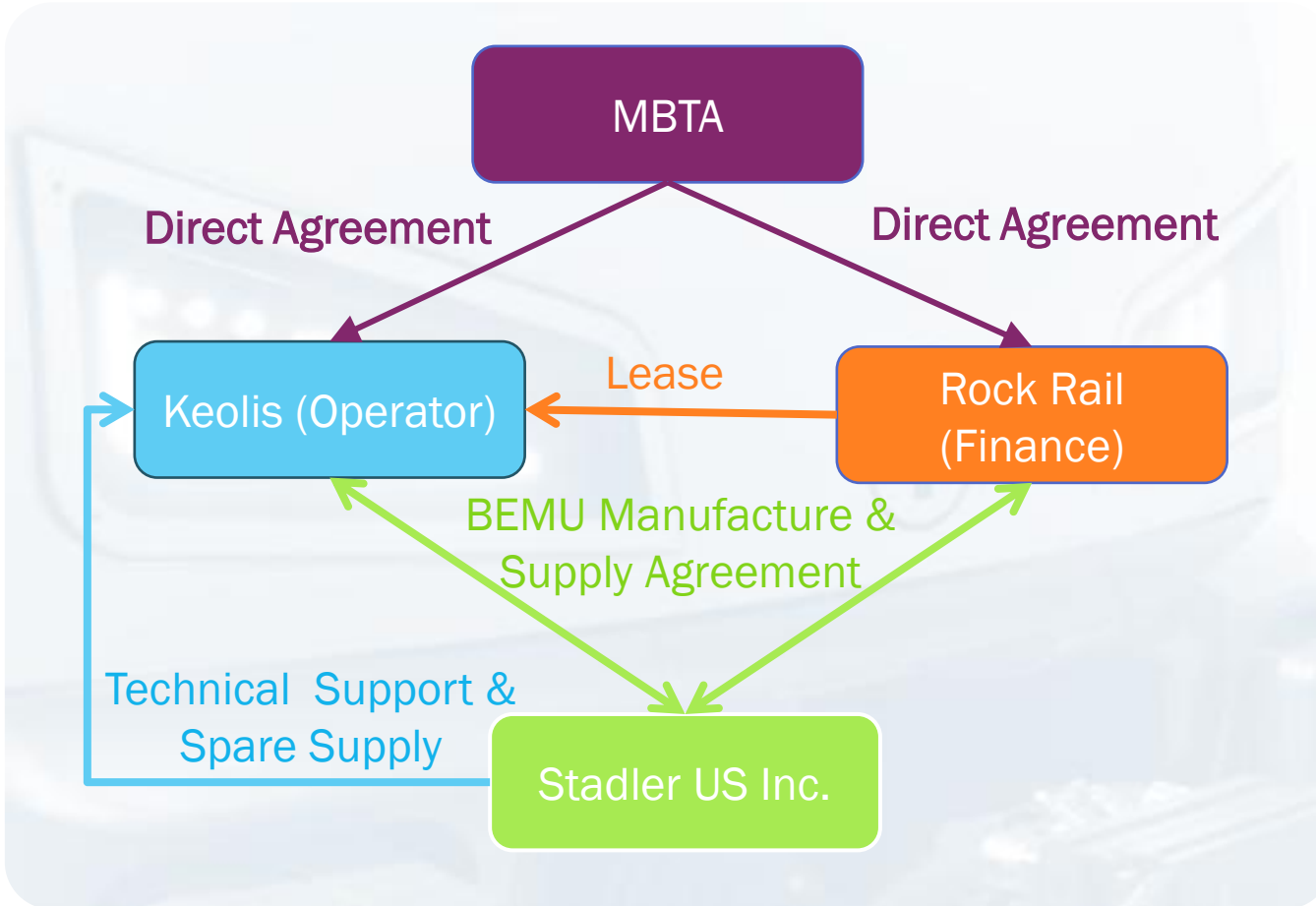
- Contract framework
- Projected lease and operations costs
- Approval for Keolis to enter into lease and supporting financial maintenance commitments
- Approval to enter into a commitment with Rock Rail to ensure future operators take over the lease



Source: Stadler



Agreement Structure



- Rock Rail and Keolis purchase the BEMUs from Stadler through a Manufacture and Supply Agreement (MSA)
- Keolis and Rock Rail will enter into a 15-year lease to finance the manufacture of the BEMUs
- The direct agreement between MBTA and Rock Rail will require MBTA to ensure that the operator transfers the lease to each successor operator for the full 15 years of its term
- Keolis and Stadler will enter into a Technical Support and Spare Supply Agreement (TSSSA)
- The current Commuter Rail Operating Agreement expires in June 2027
- MBTA and Keolis will enter into a direct agreement to ensure the transfer of these agreements to the successor operator



BEMU Cost Estimate

	Estimate for first year of lease payment with contingency ¹ (2026 \$ millions)	Estimate 15 Yr Total with contingency ¹ (2026 \$ millions)
BEMU Lease ²	\$21.4m	\$574.2m
TSSSA : Technical Support, Mobilization and Light Maintenance Material ³	\$9.2m	\$129.2m
TSSSA: Heavy Maintenance Material, incl. Traction Battery Replacement (Capital)		\$ 62.0m
Total	\$30.6m	\$765.4m

Note:

1. All values presented with 5% contingency.
2. Lease costs include provision of BEMU, Spare Parts, Special Tools, Simulators and PTC in cab signal equipment. Year 2-15 lease cost is estimated \$39.5 million per year with contingency.
3. TSSSA Cost varies per year, averaged for presentation purpose. The Mobilization cost applies during years 1-5.



Key Drivers of Cost Increases

Price Increases

- General Inflation
 - Previous estimates were in 2023 prices
- Tariffs
 - Equipment is Buy America compliant
 - However, tariffs contributed to cost increase for specialized components not available from domestic sources

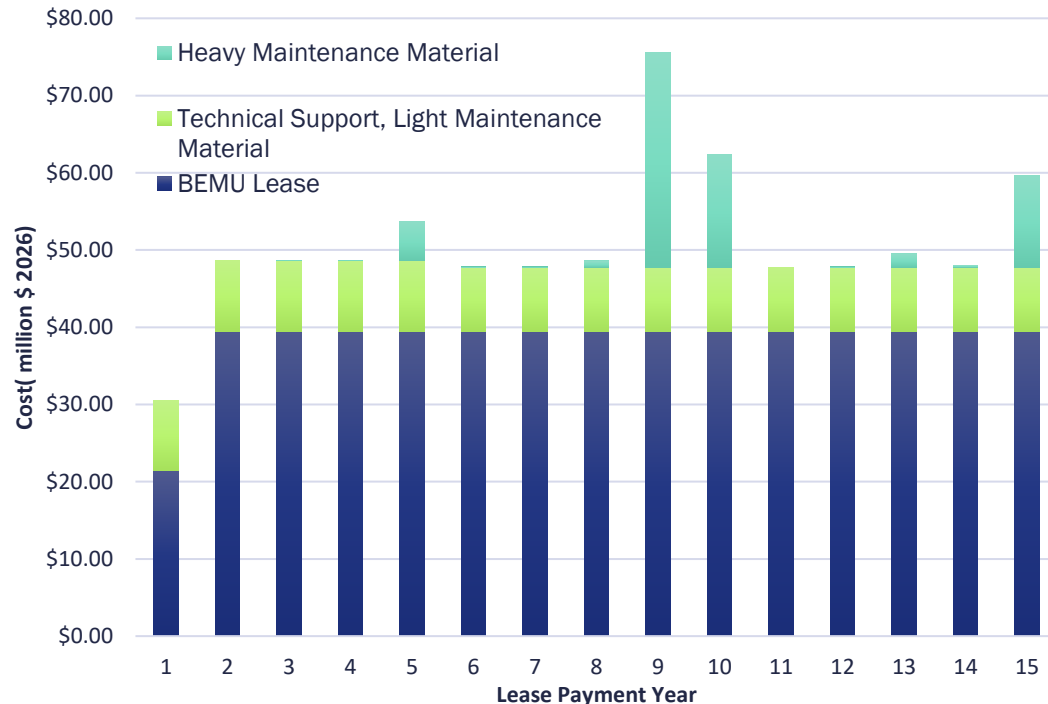
Scope changes

- Design changes
 - Cost of modifications required for accessible areas at every door
 - Longer schedule increased manufacturing and cost of performance bonds
- Capital maintenance
 - Previous estimates did not include provision for refurbishment
 - Outside the current CIP but a contractual commitment in future years



Contracted Payments for Approval

Fairmount BEMU Contracted Payment Estimate
(\$ million 2026)



- Technical support and spares costs will be subject to annual indexation
- All maintenance costs are subject to indexation and are triggered by mileage or time
- Heavy maintenance is major systems replacement or overhaul
- Payments start on acceptance of the first unit



Other Operations & Maintenance Costs

Other costs to operate the BEMU service will be negotiated as a service change under the new Regional Rail Operating Contract.

The cost is shown as the additional workforce above the existing workforce to maintain and operate the 30-minute diesel powered service.

Current estimates are presented as an update to the total operating cost estimate provided to board.

	Annual O&M Cost Estimate (2026 \$ millions)
Incremental Insurance cost	\$0.5m
Incremental Labor costs (crews, BEMU maintenance)	\$7.5m
Additional (Electrical) Infrastructure Maintenance Cost	\$1.4m
Traction Power cost	\$2.8m
Diesel Locomotive Fuel and spare parts cost (saving)	-\$3.4m
Total Other O&M Costs	\$8.8m



What can change

Between Now and Financial Close

- Lease pricing is indicative and subject to final interest rates at the closing date (expected June/July)
- Lease payments become due upon acceptance of the BEMUs.



Source: Stadler

During the Term of the Lease

- The capital cost to be financed is also subject to changes in law, tariff rates and approved design changes
- Lease has a provision for changes during the manufacturing period, subject to MBTA approval processes at that time
- Technical support and spares costs will be subject to annual indexation
- Maintenance costs are subject to indexation and are triggered by mileage or time



Board Action | Fairmount Line Decarbonization

To authorize the General Manager or his designee to enter into agreements with Keolis Commuter Services and Rock Rail respectively to commit to paying KCS and any successor operator, lease, technical support and spare supply contract costs for the new BEMUs for an amount not to exceed:

- \$30.6 million in the first year of operation after acceptance plus indexation;
 - \$765.4 million in total plus indexation over the 15-year term of the lease;
- and to execute such other and ancillary documents as required.

