

**Rail Advisory Committee
February 14, 2008
Meeting Minutes**

Meeting location:

Port of Portland Building, 121 NW Everett Street, Portland

Members in attendance:

Bruce Carswell, Portland & Western Railroad	Terry Finn, BNSF Railway
Mike Hayward, Wallowa County Commissioner	Jonathan Hutchison, Amtrak
Paul Langner, Teevin Bros.	Craig Levie, Tangent Services
Bob Lowry, retired	Chuck McLaran, Chair
Annette Price, Port of Portland	Jerry Wilmoth, Union Pacific Railroad

Members absent:

Ray Barbee, Roseburg Forest Products	Bob Krebs, retired
Delmer Hansen, United Transportation Union	Dave Root, Willamette Valley Railway

ODOT Rail Division staff in attendance:

Kelly Taylor Kathy Holmes
Bob Melbo

Chair McLaran called the meeting to order at 9:15 am. Rail Advisory Committee (RAC) members and staff made self-introductions.

Port of Tillamook Bay Railroad (POTB), R20078, Bridge and Tunnel Project - Bob Van Borssum, Port Director, presenting. The project would upgrade seven bridges and enlarge Tunnel 32; correct infrastructure inefficiencies and bring them up to standard. As of December 3 the line is totally shut down. The Tillamook area has every intention of reinstating rail service. All the bridges and tunnels are still there. Bridge damage from the storm is unknown; an analysis is in progress to assess the damage.

- Explain the source of the Port's \$1 million match for the project. FRA appropriations money. Currently working with Rep. Hooley to get \$5 million in form of a grant that will be distributed in \$1 million increments over a five year period (2009-2013) based on the federal fiscal year.
- How do you rationalize for future business when the line is not in service? None of the ConnectOregon project is storm damage related.
- Where on the line is the damage? Not sure of the location. Only 1.25 miles out of 95 miles of line was damaged by the storm. The proposed improvements are west of the area damaged by the storm.
- Paul Langner noted that the in-water work period is during the summer and it is taking about 14 months to obtain permits. Bruce Carswell noted that according to case law, repairs vs. new are exempt and have more latitude.
- How much of the project is for tunnels? Tunnel 32 will cost under \$500,000.
- Carloads? There were 3000 cars last year, but two years earlier there were 5500.
- Per Mr. Van Borssum, future prospects look good; POTB land is prime development land and any development will look to that rail line.

Modoc Northern, R40043, Lakeview Branch Improvement – Bob Melbo presented as requested by committee. This project is a small dollar project and includes some areas in California. It will build new and update existing infrastructure. Even though it includes areas in California all the customers are located in Oregon. This asset is owned by Oregon taxpayers, and Oregon can place a lien on the property even though it is located in California.

- Carloads? The last carload report was co-mingled with the rest of the Modoc line. The last report showed 1500 carloads.
- Businesses relying on the service? Cornerstone Industrial Minerals Corporation ships Perlite using this line. Cornerstone provides up to 17% of the country's Perlite. Also transports lumber and may be picking up a wood chip business. There appears to be a lot of potential for growth.
- This business is vital to the community, benefits two short lines (loads originating with the Modoc Northern and terminating with the Portland & Western Railroad at St. Helens) and is a critical connection.
- 286K capable? This line is not currently 286K, it currently has small 75 lb. rail.
- Is the applicant current on fees owed to the state? Yes, the gross revenue fee has been paid.

Ineligible ConnectOregon II Projects - Kelly Taylor provided copies of letters that were sent to all ineligible applicants. These applicants have 30 days to file a protest. The letters contained specific reasons why the projects were considered ineligible. The projects are:

- Amalgamated Sugar (R50059)
- Inland Pacific Energy Center (R50017)
- Modoc Northern Railroad (R40028)
- International Port of Coos Bay (R 30033 and R30034)
- Sunset Empire Transportation District (X20060– rail portion only)

ConnectOregon I Project Status - Bob Melbo provided a status report, including:

- Treasure Valley Renewable Resources and Wyoming Colorado Railroad grant awards were cancelled because no project activity had occurred and the future timing of activity is uncertain.
- Klamath County, Chemult Train Station Welcome Center, is in the process of purchasing property adjacent to the Union Pacific property.
- Port of St. Helens is essentially complete.

All three of Portland & Western Railroad's projects are complete: Tigard Yard, Seghers and Willamina 286K upgrades. The ribbon cutting ceremonies were great promotion for the *ConnectOregon* program. It is important to get the information to the Legislature so they know how they are helping Oregon.

Several RAC members noted that both the House and the Senate Transportation Committees are having "rail" presentation hearings. This may be a good opportunity for reporting *ConnectOregon* I successes.

Conflict of Interest Declaration – Chair McLaran outlined the requirements from the Reviewer Instructions issued by ODOT. Kathy Holmes read the list of projects; each member declared their conflict of interest for the individual projects, and Kathy noted the members with conflict of interest for each project. (See attached Conflict of Interest Declaration list.)

Matrix Review and Completion – Kelly Taylor distributed and explained the draft Modal Committee Review Matrix. The five considerations listed across the top of the matrix columns "a through e" come from the *ConnectOregon* II legislation. She reviewed tiering and ranking process outlined in the "Reviewer Instructions". Consideration "b" (Whether a proposed transportation project results in an economic benefit to this state.) is based on the "Review of Economic Benefit to the State" form completed by ODOT economists and the Department of Economic and Community Development staff. This column is marked with an "x" if either reviewer rated the project as "clearly" or "likely" to result in economic benefit.

Consideration “d” (How much of the cost of a proposed transportation project can be borne by the applicant for the grant or loan from any source other than the Multimodal Transportation Fund.) is based upon whether the application includes match amount above the required minimum 20 percent match.

Consideration “e” is based on if the application milestones show the project is scheduled to break ground before the end of 2007-09 biennium.

Project Tiers, Ranking and Priorities –

Albany & Eastern Railway Company, R20013, Sweet Home Branch Rail & Tie Rehab – 286K Kelly noted the committee should remove the “X” from consideration “b”; it had been marked in error. The committee discussed the benefits of upgrading to 286k; decided the benefits meet consideration “c”. The project was placed at Tier 3. (Note - During subsequent discussion on AERC’s project for Mill City branch bridges, the committee moved the “x” from consideration “c” to “a”.)

Albany & Eastern Railway Company, R20051, Mill City Branch Bridges During the presentations, Albany & Eastern said this was their number one project. Application shows they do not own the property. The property is leased from the UP and the lease will expire in a few years. There is no commitment letter from UP supporting the project beyond the end of the lease.

Additional discussion on the benefits of upgrading to 286K resulted in adding an “X” under consideration “a” for this project and changing the “X” for application R20013 from consideration “c” to consideration “a”. The projects were placed at Tier 3. The committee discussed that reducing the need to increase costs in the future resulted in cost reduction.

Albany & Eastern Railway Company, R20052, Mill City Branch Rail & Tie Upgrade 286K This project was considered the same as the previous two projects; an “X” was added to consideration “a”. The project was placed at Tier 3.

City of Baker City, R50015, Elkhorn View Industrial Park Rail Spur II As requested at previous meeting, staff reviewed this applicant’s CO I agreement, and reported this project appears to be a legitimate Phase 2. The fact that they have not started building on Phase I is not an issue; they should be able to break ground by the end of the biennium. No change to the staff’s initial ranking. The project was placed as Tier 3.

BNSF Railway, R10047, East St. Johns Siding Extension Staff noted that the supplemental information included schedule date corrections for this project and project R10048. The committee added an “X” under consideration “e” for both projects. There was no additional discussion for this project. No change to the staff’s initial ranking. This project was placed at Tier 2.

BNSF Railway, R10048, Power the North Leg of the Astoria Wye. This project provides more benefit to the Astoria line than the main line. No change to the staff’s initial ranking. This project was placed at Tier 2.

Klamath County, R40037, Chemult Train Station Welcome Center (Phase 2) A member noted the applicant had attempted to “cross out” part of the standard agreement language on Page 1 of the application. Staff stated the CO II staff had noted this during the Completion Review and had notified the applicant that they must agree to all of the provisions. No change to the staff’s initial ranking. This project was placed at Tier 4.

Klamath Northern Railway, R40032, KNOR 286 Upgrade This project is a 286K upgrade project; and an “X” was added to consideration “a”. This project was placed at Tier 3.

City of Lebanon, R20062, Santiam Spur Upgrade/Bridge Replacement Kelly Taylor stated a copy of the updated information on this project will be provided tomorrow. The street portion of the project is not eligible. The bridge replacement would be due to effect on the water source. If it is replaced it will be 286K. No change to the staff’s initial ranking. This project was placed at Tier 4.

Mt. Hood Railroad, R10004, Mile Post 15 Flood-Damaged Track Repair There is no freight beyond the point of damage, so the 286k issue does not apply. No change to the staff’s initial ranking. This project was placed at Tier 3.

Modoc Northern Railroad Company, R40043, Lakeview Branch Improvement There is a strong argument that businesses that use the rail service would be at risk without reliable rail service. This line is the connection for the rest of state and to out-of-state destinations for businesses in this area. Truck service is not as readily available as in other parts of the state. Committee added an “X” to consideration “c”; changing the project to Tier 2.

Northwest Container Services, R10058, NWCS Portland Expansion This results in short term cost reductions. It could change with any changes to Terminal 6. There is currently one contract in place with more in the works. No change to the staff’s initial ranking. This project was placed at Tier 3.

Port of Morrow, R50044, Morrow Multimodal Rail Logistics Center This would give the Gorge rail system more capacity. It was noted the application’s page 14, question 9 quantifies consideration “c” by decreasing the time from 4 hours to 10 minutes to get through there. The main line use will be improved as the siding will provide entrance to the Port, so the main line can be used for through traffic. The additional match of \$1 million appears to stem from a federal appropriation not yet been assigned to this project. The committee removed the “X” for consideration “d” and added an “X” to consideration “c”. The changes did not change the Tier level; the project was placed at Tier 2.

Port of Portland, R10066, South Rivergate Yard Expansion Construction readiness was questioned because the agreement is not yet in place. Terry Finn and Annette Price stated there is a good chance to make the construction date. No change to the staff’s initial ranking. This project was placed at Tier 1.

Port of St. Helens, R10016, Port Westward Railroad System Wye Without the wye, Cascade Grain will have to pay for the cost of the railroad putting another crew on the unit trains to take the trains to Portland to turn around and go back. The property is still being developed; this project may be too rushed without consideration to long term needs. This should have been part of their *ConnectOregon I* project, rather than CO II being used for make up for inefficient planning. The committee questioned the project’s eligibility if it stems from an oversight from the CO I project. No change to the staff’s initial ranking. This project was placed at Tier 3.

Port of Tillamook Bay, R20078, Bridge and Tunnel Project The committee discussed whether they believed this project was eligible due to several concerns. The committee concluded this project is likely ineligible and removed it from its priority list due to the following concerns:

- It is clear that POTB does not have the match from its own funds.
- There has been a substantial drop in congressional “earmark” or appropriation funding in the last three years. Thus it is highly unlikely that the proposed match is “real.”

- The line is currently closed. It will take more than \$26 million to reopen it; funds have not been identified.
- The future viability of the line is uncertain.

Portland & Western Railroad, R10026, Columbia River Rail Corridor Improvement No change to the staff's initial ranking. This project was placed at Tier 1.

Portland & Western Railroad, R20025, Albany River Rail Corridor Improvement No change to the staff's initial ranking. This project was placed at Tier 2.

City of Prineville Railroad, R40005, Prineville Freight Depot No change to the staff's initial ranking. This project was placed at Tier 2.

Sumpter Valley Railroad, R50012, Machine Shop Expansion and Rebuild Program The committee questioned if this project really qualified. It meets the broad definition of a transportation project, but this system does not connect to the national system or any other mode. The locomotive repairs are not scheduled until 2010 – which is not “ready for construction”. It is not clear that SVRR really has the match. No change to the staff's initial ranking. This project was placed at Tier 4.

Union County/Pendleton Grain Growers, R50007, Alicel Intermodal Transportation Project No change to the staff's initial ranking. This project was placed at Tier 3.

Union Pacific Railroad, R10072, St. Johns Lead Improvements No change to the staff's initial ranking. This project was placed at Tier 2.

Union Pacific Railroad, R20071, Install Eugene Yard Crossover No change to the staff's initial ranking. This project was placed at Tier 3.

Union Pacific Railroad, R40069, Install CTC in Klamath Falls No change to the staff's initial ranking. This project was placed at Tier 3.

Union Pacific Railroad, R50070, Construct Hinkle Yard Connections Increasing the amount of switching done at the Hinkle yard and decreasing the amount done at the Portland yard would improve the traffic getting in and out of Portland. Capacity would be significantly increased. It could be seen as a Phase I to address current needs and as a starting point for future needs. Committee added an “X” for consideration “c”. The project was placed Tier 3.

Vigor Industrial, R10039, Shipyard Commerce Center Siding Track No change to the staff's initial ranking. This project was placed at Tier 3.

Willamette Valley Railway, R20057, Upgrade Railroad – Phase II There were questions about whether the project is truly a Phase 2 project or carryover of Phase 1 that could not be done due to increased material costs. No change to the staff's initial ranking. This project was placed at Tier 3.

Port of Umatilla, X50018, Upland Distribution Center No change to the staff's initial ranking. This project was placed at Tier 3.

Tier placement was complete and committee began Ranking (High – Medium – Low) within the Tiers. Discussion on the projects included:

- The three Albany & Eastern Railway Company projects were ranked as the presenters suggested: R20051 as high, R20052 as medium as R20013 as low.
- Klamath Northern Railway Company's project (R40032) was ranked high because upgrading short line railroads to be 286K capable is vital to continued viability of a rail line.
- Mt. Hood Railroad's project (R10004) was ranked high the passenger service must be restored because the freight rail opportunity depends on the passenger subsidies.
- Modoc Northern Railroad Company's project (R40043) was ranked high due to critical service to shipper/receiver.
- Northwest Container Services' project (R10058) ranked medium due to short seas shipping, so might be more opportunities.
- Port of Morrow's project (R50044) ranked high due to strong support of Class I railroads.
- BNSF's project (R10047) rated high due to number of rail entities that will benefit (BNSF, UP, Amtrak, Portland & Western Railroad), and it addresses congestion/fluidity in the Portland triangle area.
- Port of St. Helen's project (R10016) ranked medium due to concerns about limited use from construction location and it appears to be an afterthought that should have been addressed in CO I, or with their own their funds.
- Willamette Valley Railway's project (R20057) was ranked low requested by the presenter (Dave Root) due concerns about the project.

Ranking was complete. The committee began assigning priority based on Tier and Rank, starting with Tier 1, High.

Portland & Western Railroad (R10026) – Tier 1, High – Priority 1
 BNSF Railway (R10066) – Tier 1, High – Priority 2

Since there would not be time to complete the priorities, the committee decided to continue assigning priorities at the next day's meeting - February 15, 2008.

The Chair noted that there were no members of the public waiting to provide public comments to the RAC.

The meeting was adjourned at 4:30 pm.

Rail Advisory Committee
Conflict of Interest for *ConnectOregon* II Projects
February 14, 2008

Committee Members																
Project Number	Applicant Name	Project Description	Barbee, Ray	Carswell, Bruce	Hansen, Delmar	Hayward, Mike	Hutchison, Jonathan	Finn, Terry	Krebs, Bob	Langner, Paul	Levie, Craig	Lowry, Bob	McLaran, Chuck	Price, Annette	Root, Dave	Wilmoth, Jerry
R20013	Albany & Eastern Railroad Company	Sweet Home Branch Rail & Tie Rehab - 286k		X				X								X
R20051	Albany & Eastern Railroad Company	Mill City Branch Bridge Rehab & 286k Upgrade		X												X
R20052	Albany & Eastern Railroad Company	Mill City Branch Rail & Tie Upgrade 286k		X												X
R50015	City of Baker City	Elkhorn View Industrial Park Rail Spur II														X
R10047	BNSF Railway	East St. Johns Siding Extension		X			X	X						X		X
R10048	BNSF Railway	Power the North Leg of the Astoria Wye		X			X	X						X		X
R40037	Klamath County	Chemult Train Station Welcome Center (Phase 2)					X									
R40032	Klamath Northern Railway Company	KNOR 286k Upgrade														X
R20062	City of Lebanon	Santiam Spur Upgrade/Bridge Replacement		X				X								X
R10004	Mt. Hood Railroad	Mile Post 15 Flood-Damaged Track Repair														X
R40043	Modoc Northern Railroad Company	Lakeview Branch Improvement		X						X						X
R10058	Northwest Container Services, Inc.	NWCS Portland Expansion						X								X
R10066	Port of Portland	South Rivergate Yard Expansion						X						X		X
R50044	Port of Morrow	Morrow Multimodal Rail Logistics Center								X	X					X
R10016	Port of St. Helens	Port Westward Railroad System Wye		X				X		X						
R20078	Port of Tillamook Bay Railroad	Port of Tillamook Bay Bridge & Tunnel Project		X				X								X
R10026	Portland & Western Railroad	Columbia River Rail Corridor Improvement		X				X		X						X
R20025	Portland & Western Railroad	Albany Rail Corridor Improvement Project		X			X	X		X						X
R40005	City of Prineville Railroad/Freight Depot	Prineville Freight Depot - Phase 2						X								X
R50012	Sumpter Valley Railroad Restoration, Inc.	Machine Shop Expansion and Rebuild Program														
R50007	Union County Economic Development Corp.	Alicel Intermodal Transportation Project														X
R10072	Union Pacific Railroad Company	St. Johns Lead Improvements					X	X						X		X
R20071	Union Pacific Railroad Company	Install Yard Crossover		X			X									X
R40069	Union Pacific Railroad Company	Install Centralized Traffic Control System					X	X								X
R50070	Union Pacific Railroad Company	Construct Yard Connections												X		X
R10039	Vigor Industrial, LLC	Shipyard Commerce Center Siding Track												X		X
R20057	Willamette Valley Railway Company	Upgrade Railroad - Phase 2														X
X50018	Port of Umatilla	Upland Distribution Center												X		X