

**Rail Service Competition Council (RSCC)
Meeting Minutes**

**September 23, 2015
Helena, Montana**

RSCC Members Present:

- Mayor Jerry Jimison, Chairman
- Walt Ainsworth
- Commissioner John Grewell
- Eric Doheny
- Mike Kadas, Director, Department of Revenue
- Mike Tooley, Director, Department of Transportation
- Ron de Yong, Director, Department of Agriculture

Other Attendees:

- Chris Dorrington, Montana Department of Transportation (MDT)
- Jeremiah Langston, Public Service Commission (PSC)
- Diane Myers, Montana Department of Transportation (MDT)
- Matt Jones, BNSF Railway (BNSF)
- Maia LaSalle, BNSF Railway (BNSF)
- Chris Christiaens, Montana Farmer's Union
- Jim Lewis, Montana Rail Link (MRL)
- Collin Watters, Exec. VP, Wheat and Barley Committee, Montana Department of Agriculture,
- Ben Tiller, Montana Department of Agriculture
- Steve Snezek, RSCC Administrator
- Mike O'Hara, District 4 Director, MT Wheat and Barley Committee
- Jesse Anderson Agriculture Liaison, Senator Jon Tester's office
- Dan Lloyd, Montana Governor's Office of Economic Development (GOED)

Call To Order, Introductions

Chairman Jerry Jimison called the meeting to order and attendees introduced themselves.

Approval of June 18th RSCC Meeting Minutes

Director Ron de Yong made a motion to approve the minutes from the last meeting, seconded by Director Mike Tooley. The motion was approved.

Financial Report

Diane Myers (MDT) informed the RSCC that the new State fiscal year began July 1, 2015 and that the RSCC has not incurred any expenses yet this year. The RSCC previously commissioned a pulse crop logistics study entitled the West Coast Ports Study for \$14,000, leaving \$17,000 in the budget for this fiscal year.

Montana Department of Transportation (MDT) Update

Christopher Dorrington (MDT) informed the RSCC that MDT is currently in the 2nd phase of a study focused on freight movements in a multi-state corridor stretching from Chicago to the west coast. The project is called MCOM and will be completed in about a year.

Chris also discussed numerous calls MDT has received recently regarding train speed increases in Miles City and Forsyth, and reported that MDT does not have a role in regulating train speed. MDT receives these comments and passes them on to BNSF.

In response Matt Jones (BNSF) stated that BNSF has increased train speeds from 45mph to 60mph in Miles City on July 6th, 2015 and from 25mph to 45mph in Forsyth on August 19th, 2015. The track in question is class 4 track as designated by the Federal Railroad Administration (FRA), and it is maintained and inspected to that level. The prior reduced train speeds were in place at the discretion of BNSF. With improvements in operations the company decided to increase train speeds within the authorized FRA maximum speed limit.

In regard to Miles City crossings there is now an integrated crossing in Miles City, which BNSF coordinated with local officials. BNSF also contacted schools and put notices in local newspapers to inform citizens of the speed increases. In October BNSF is sending a team to Miles City to meet with school officials and children to discuss railroad safety. The Mayor of Miles City has asked for a pedestrian crossing on 4th street and for an additional arm crossing. Chairman Jimison asked about quiet zones in Miles City and Matt responded that there are no designated quiet zones currently in Miles City, and there are no plans in development.

There was further discussion on train speeds. In response to questions, Matt responded that some BNSF trains called “key trains,” such as those carrying hazardous materials, have lower maximum speeds. Matt said that train speeds are set by BNSF, in accordance with the FRA maximum speed. BNSF has the ability to operate at lower speeds.

Chris Dorrington began a discussion on a current federal rail grant opportunity. He said there has been a Notice of Funding Availability (NOFA) for rail crossing improvements, and that MDT has received a number of questions about what types of projects may be nominated for this funding. Chris informed the RSCC that only \$10 million is available for these grants nationwide, that the grant targets rail crossings affected by energy products movement, and that the application is 25 pages long and requires additional backup documentation. States are eligible applicants and MDT will likely apply for a grant.

West Coast Ports and Pulse Crops

Chris Dorrington talked about west coast ports and pulse crops. MDT and the Department of Agriculture are working with the Beckett Group on a study prompted by the loss of

container service at the Port of Portland to evaluate westerly movement of Montana specialty grains and pulse crops.

Diane Myers (MDT) said that the study will be completed in about a month, and once the study is finalized it will be emailed to everyone and posted on the RSCC website. Ben Tiller (Montana Department of Agriculture) said that the Department of Agriculture has met with the Beckett Group on the study. The Beckett Group is looking for creative solutions to solving the lack of container shipping in Portland.

A discussion ensued on the Beckett Group study. Chris said that other ports beside Portland are being studied and Ben said that the study is also looking at specialty grains, but pulse crops took the brunt of the hit from losing Portland as a container port.

Ben gave a presentation about his recent visit to the Port of Portland, which has incurred a disruption in service due to labor disputes. Ben and Kim Falcon (Department of Agriculture) met with several different exporters on a recent trip, who were not optimistic about growth in mid-sized bulk shipments from Portland.

Ben and Kim also met with the Port of Portland. Ben said that there might be new shipping opportunities from the T4 dock, which has been abandoned for about 25 years and has rail infrastructure. The Port of Portland has initiated a planning study to build a mid-sized bulk facility for wood pellets, pulse crops and other specialty grains. They now have a large blueprint with four domes to hold four distinct crops. The total cost for the improvements is \$57 million, and federal resources and investors are targeted to build the project.

A discussion ensued about the visit with the Port of Portland and the T4 dock. Ben stated that the Port of Portland owns the T4 dock and there will always be a market for this type of facility because of its ability to utilize smaller ships. This project is on-going and could potentially be built in two years, although that is an optimistic timeline. Pulse crops are currently being trucked to Idaho, and then shipped by rail or truck to Portland and Seattle. The cost comparison between shipping from Montana to Portland or Seattle is about the same. In response to ownership of facilities, Ben also reported that Columbia Grain still has a large presence in Portland.

Ben informed the RSCC that he will be making a trip to the United States Pea and Lentil Trade Association meeting next week. He will be following up with those he met with on the Port of Portland trip, and meeting with other logistics experts and exporters. Ben said that peas and lentils are currently shipped in hopper cars, some in boxcars, and even some in trucks to Seattle or Long Beach, California. Ben noted that connections made during the summer Chicago trip funded by the council aided in developing key stakeholder connections within the agriculture transportation and logistics industries.

Jim Lewis noted that MRL had met with and evaluated the economics of rail shipping to Portland. Economics are tough and that the handling challenges are also difficult.

Agriculture Subcommittee - Eric Doheny

Director Ron de Yong explained shipping options for pulse crops and said there are fewer methods available as compared to wheat. Director de Yong and the Department of Agriculture met with BNSF to discuss pulse crops shipping and shipping rates. He reported that pulse crops don't have the same kind of rate structure as wheat. The Department of Agriculture asked BNSF to allow "reverse DETs", which would bring pulse crops from multiple origins to one destination. He reported that BNSF understood the Department of Agriculture's position and said they'd look into the option. Director de Yong indicated implementing reverse DETs could save pulse crop growers in Montana about \$2 million per year.

Director de Yong said that the Department of Agriculture and BNSF also discussed eastern Montana demurrage fees for Saturdays and Sundays, which BNSF charges customers \$150 per car. The Department of Agriculture has only two staff in eastern Montana to do required inspections, which makes it very difficult to do weekend inspections and causes increased demurrage charges. BNSF indicated they would review the issue.

Eric Doheny discussed talks with Mountain View Coop regarding the low quality of fertilizer cars. Eric said that the cars are not in good shape due to lack of cleaning, lack of maintenance and other unacceptable conditions. These conditions force the elevator to return the cars at significant delay to contracted shipments. Director de Yong added that he's also been working on this issue. Maia LaSalle (BNSF) said BNSF is working to get the problem with dirty cars solved and that she will report back on this issue at the next RSCC meeting. Also discussed was the fact that trucking fertilizer is of higher quality but more costly. There are three large fertilizer facilities in the state – Fort Benton (trucked in), Collins and Shelby. It was noted that potash cars arrive in good shape.

Jim Lewis (MRL) discussed the maintenance of MRL cars. MRL inspects cars at their facilities in Laurel and Missoula, and focus mainly on exterior issues and exterior maintenance. Reporting of interior conditions are done by the customer. There are penalties for dirty and broken cars, and other issues. Jim said if a car is in insufficient condition it's up to the customer to refuse and report it. Penalties are then assessed and often sent to the previous user.

A discussion ensued on the current status of agriculture crops in Montana. Director de Yong said that many crops are still in bins. Eric Doheny reported that on-farm storage is high due to the current low crop prices and value of the dollar. Currently shipping is not an issue. Director de Yong said that this year's crop is good quality, but average for production yield. Globally the production of wheat is up, so supply is high and demand is not, and thus producers have built a good number of new bins this year. In response to a question, Director de Yong said that the survey data for on-point storage is self-reported.

Energy Shipping Subcommittee - Commissioner John Grewell

Commissioner John Grewell stated there is no committee report.

Tongue River Railroad Discussion

Commissioner Grewell began a discussion with Matt Jones (BNSF) on the proposed Tongue River Railroad project. Matt said that the comment period on the draft Environmental Impact Statement (EIS) ended September 23 and that the Tongue River Railroad Company, Inc. (TRRC) would file comments today, September 23. The biggest issue according to Matt is related to cultural and tribal concerns. From BNSF's perspective, the EIS was very thorough. Matt said the next step is for the Surface Transportation Board to make a determination of the merits of the Tongue River Railroad, and that they will probably identify a preferred alternative and work to license a route following this determination and final EIS. Matt said the proposed Otter Creek Mine would produce enough coal for four loaded trains per day and they would not go west. Commissioner Grewell said the Missoulian reported the Tongue River Railroad would produce 7.5 to 8 trains per day, and they would all go west. Chairman Jimison asked about the route not going through Miles City and Matt said that the Tongue River Railroad prefers the route to Colstrip, but that the EIS may identify a preferred alternative.

Chairman Jimison asked if BNSF still had 74% of the Bakken crude oil transportation and Matt responded that BNSF's crude oil shipments are down, due to more pipeline shipment of oil, not a slowdown in production. There is a slowdown in new drilling, but production is flat. Matt did not know the percentage of oil transportation by BNSF, and added that BNSF does not load crude trains in Montana.

Chairman Jimison asked about safety training for crude oil train hauling, and if BNSF is helping with these efforts. Matt responded that there is a new standard on crude oil cars implemented by the federal government that is being phased in. BNSF's transition to new cars began before the standard went in and they do not own tanker cars. The tanker cars moved by BNSF are owned by BNSF's customers or leasing companies. BNSF is still providing safety training for communities that want it.

Commissioner Grewell said that the Crow Tribe bought a 4% share of a company looking to open up ports on the west coast.

Lunch 11:45am

Economic Development Subcommittee - Kathy Fasso

The subcommittee did not meet, and Kathy Fasso was absent, so there was no report.

Railroad Reports

BNSF Railway

Maia LaSalle (BNSF) was recently hired at BNSF and works out of the Havre office. Since this is her first RSCC meeting her report was limited to agriculture. Barbara Ranf who is with BNSF Government Affairs was unable to attend and normally covers other topics. BNSF is currently seeing sufficient capacity, and previously stored cars are now starting to move, while the numbers of cars past due are down. Montana has one car past

due, and BNSF has 2.8 cars past due in the northwest. There are no hopper cars being stored in Montana, but there are still some other types of cars being stored. Maia reported there are only 521 agriculture fleet cars in storage across BNSF's system.

In response to a question, Matt Jones (BNSF) said there have been some labor furloughs across the system, but that he does not have numbers on horsepower being furloughed on a regular basis. One of the challenges of a labor furlough is that the longer it takes to call someone back, the less likely it is that they will come back.

Chris Dorrington asked BNSF about an order for new locomotives and Matt responded that there was a \$6 billion capital plan for 2015, and that they have not altered that plan.

Chairman Jimison asked about the plan of shutting down Forsyth and moving jobs from Glendive to Laurel, and Matt replied that BNSF is not shutting down operations in Forsyth. BNSF still has a crew there, but they are implementing longer runs for efficiency and thus the crew reduction, but not elimination. BNSF has moved approximately 45 employees to Laurel, most of them from Forsyth. Commissioner Grewell added that up until this point, the runs that BNSF used were legacy crew change points from the old steam engine days.

Eric Doheny again addressed the issue of poor quality cars, and asked about the maintenance schedule for fertilizer cars. Maia said that BNSF is looking into it, and that some of the problem is based on where the car originates. She said she would provide information on this issue at the next meeting. Upon request, Maia also agreed to discuss the age of rolling stock fleet at the next meeting.

Director de Yong said that he thought it might be time to catch up on maintenance, because of excess capacity in the system. Matt said he didn't know if BNSF has changed the maintenance schedule due to excess capacity, but that BNSF will discuss this at the next meeting. Commissioner Grewell explained that the staff who perform this maintenance work require two years of apprentice training, so it's not so easy to gear up.

Chairman Jimison asked if there are still Montana car shops to repair rail cars, and Matt said that BNSF has locomotive shops in Glendive and Whitefish. Jim Lewis (MRL) also discussed maintenance of MRL cars and their shops in Missoula and Laurel.

Chairman Jimison asked about the double track from Glasgow to Williston, and Matt said he believes that it has been completed, and that it is a total of 55 miles. BNSF is operating more efficiently because of this added capacity.

BNSF also noted active participation in and coordination with local efforts in fighting the Sheep Creek Fire. BNSF noted this effort was a good test of coordination and communication with locals, MRL and enhanced their geographic response framework. MRL then noted that 50 trains in four days were re-routed south from the hi-line onto MRL's line include six Z-trains moved in fifteen hours. The coordination and delivery of the re-routed traffic was a success viewed by both parties.

In response to a question, Matt Jones (BNSF) also shared some BNSF numbers on shipping volume. BNSF is up 0.3% system-wide, with consumer products being soft, but rebounding. Coal is up 3.3% with some of that increase due to rebuilding stockpiles. Agriculture volume is up 7.2%. Industrial products are down 2%, crude oil is down, and crude-related products are way down.

Union Pacific

Nathan Anderson of Union Pacific was out of town and could not make the meeting.

Montana Rail Link

Jim Lewis (MRL) said there is a downward trend in shipping by the railroad industry as a whole. This trend started at the beginning of 2015 and was spurred by the slowdown in petroleum products, with new well drilling being down and production being flat. The strong US dollar is affecting the export side of the equation, and domestic coal volume is shrinking. Despite domestic coal shipping volume being down, and the demand for coal internationally being down, there is a slow growth in coal exports.

Intermodal transportation is a bright spot, up 2.6%, and delivery times have shortened. This is the first time that intermodal volume has surpassed carload volume. Intermodal transport can now go from Chicago to the west coast in as little as 4 to 5 days. MRL is expecting grain volume to remain light and corn and soybean volume to trend down. Overall train volume is down, averaging fifteen trains per day. Coal traffic is at two trains per day, down from three trains per day last year, on average.

Chris Dorrington asked if there is a projected growth in intermodal because of a shifting from other areas and if it is pure growth. Jim responded that domestic intermodal is strong, and its strength is tied to issues like driver shortages in trucking. Walt Ainsworth added that shorter train times would affect trucking.

Chris Dorrington asked if MRL has seen employee furloughs similar to BNSF. Jim said they are just beginning the furlough process. Chris asked about the possibility of an intermediate intermodal destination between Chicago and the west coast, and Jim responded probably not.

Jeremiah Langston (PSC) asked if MRL is taking into account increases in Environmental Protection Agency (EPA) regulation in projecting coal train traffic. Jim responded that increases in any government regulation would slow train traffic.

Central Montana Railroad, Inc. (CMR)

There was no representative of CMR at the meeting. Chris Dorrington said they are still working to repair the Ross Fork structure.

Next RSCC Meeting Date, Location, and Agenda Items

Chairman Jimison opened discussion on the next meeting date. In the past the RSCC has met quarterly, but the Department of Transportation thinks that the RSCC could meet two

to three times per year and still get it's work done effectively. Walt Ainsworth asked if there are any requirements for a specific number of meetings and Chris Dorrington responded that there wasn't. It was mentioned that variety and changes in the agriculture industry might make it so that meeting every four months, which would be three times per year, would be better than two times per year.

Eric Doheny suggested that we try for three times per year and see how that works. Chris said this would not affect the subcommittee meeting schedule, and it was decided that the next meeting would be in February, with options for dates to be sent to the council via doodle poll.

Comments from Meeting Attendees

Jeremiah Langston (PSC) said that the PSC works on railroad issues and specifically railroad safety, and there were a few items coming before the PSC in the coming months that might be of interested to the RSCC. The Legislative Audit Interim Committee is doing a study on railroad safety and the PSC will open an information gathering docket on railroad safety to get ideas on how the PSC can address the various rail issues.

The State Rail Safety Managers have also approached the PSC to support rules on blocked railroad crossings. The PSC is considering rules to help local officials address blocked rail crossings. It is difficult to determine a course of action that addresses the public's concern because federal law is superior to local and state law on rail issues. Jeremiah invited the RSCC to participate in the PSC's process and asked that those interested contact him at jlangston@mt.gov if they would like to join an email list to stay abreast of what the PSC is doing on this issue. Diane Myers (MDT) asked if the public would be invited, and Jeremiah said all meetings are public, and they will be taking public comment on the issue.

Chairman Jimison requested that members of the RSCC stay on top of the "coffee shop" chatter, and any other anecdotal information. He said that communicating with each other is the best tool to stay aware of what is happening in the industry. If agenda items arise, make sure Steve Snezek and Diane get that information to include on the next RSCC agenda.

Public Comment Period

Chris Christians (Montana Farmer's Union) said that Montana is the number two state in the nation for pulse crops. With more land coming out of CRP, there are more opportunities for crop production, including pulse crops. The changing climate is also having an effect on the crops and types of crops being planted. Chris urged the RSCC to keep a focus on pulse crops, and also added that there will be a shortage of storage for these crops.

Adjournment

Chairman Jimison adjourned the meeting at 2:17 p.m.