

Meeting Notes

Union Pacific Railroad and CDOT Rail Planning Team

Omaha, Nebraska, May 16, 2011

Meeting Attendees

UP Railroad

Joe Arbona -	General Director – Policy and Partnerships
Grant Janke	General Director – Network Planning
Joe Bateman	Vice President – Public Affairs – Northern Region
Mark Bristol	General Director - Network Planning
Steve McLaws	General Director – SL and Industrial Development
Candace Orr	Manager – Short Lines
Huy Pham	General Director – Capacity Analysis
Kurt Zalar (via phone)	General Superintendent - Denver Service Unit
Dick Hartman (via phone)	Director - Public Affairs

CDOT Project Team

Mehdi Baziar -	CDOT Project Manager
Wendy Wallach -	CDOT Deputy Project Manager
Randy Grauberger -	Parsons Brinckerhoff Deputy Project Manager

Following introductions, Randy Grauberger provided a brief description of the February 24th “Railroad Kick-off” meeting in Denver, attended by UP’s Grant Janke and Dick Hartman. At that meeting, the Class I railroads each suggested face-to-face meeting with individual railroads in Fort Worth and Omaha between the railroads, CDOT and the consultant team to discuss information related to the data requests and other information specific to each railroad.

Randy next provided a brief overview of the Scope of Work for the Colorado State Freight and Passenger Rail Plan. He provided some detail related to the 12 tasks in the scope of work. The study is expected to be completed in January, 2012. Randy then briefly discussed the Steering Committee and the Stakeholder Groups meetings that were held in April and May of 2011.

Joe Arbona next described an overview of the UP's operations in Colorado. Joe indicated that UP is the largest railroad in the country serving 23 states primarily west of Mississippi. There are 1535 main line miles in the state. He indicated that there are 1,294 employees in Colorado with an annual payroll of \$106 million dollars. Kurt Zalar stated that UP is seeing growth in coal, wind energy and natural gas related traffic, and grain traffic moving on the Kansas Pacific (KP) branch in eastern Colorado.

Nationally, the UP serves 25,000 customers, and has a payroll of \$3.6 billion. The UP's capital spending in 2010 was \$2.5 billion and is expected to rise to \$3.3 billion in 2011. UP has approximately 3000 employees at the Dodge Street location in Omaha with another 1000 at the Harriman location and another 1000 in Council Bluffs.

Randy asked how many annual lifts occurred at UP's northeast Denver intermodal facility. That figure was not available but UP noted that there are three inbound and three outbound intermodal trains per day at the Denver facility and intermodal traffic is increasing. According to UP, the Lowes facility in Cheyenne, WY is a large user of that intermodal facility.

Randy said that he would provide draft meeting notes for today's meeting and provide them to Dick Hartman to distribute for UP's review prior to CDOT providing these meeting notes to its Rail Plan Steering Committee and Stakeholder Group.

Kurt Zalar next provided information related to some upcoming maintenance and rehabilitation work taking place in Colorado in 2011. A tie replacement program (75,000 ties) will take place along the North Fork Branch with the next location to receive ties being the Greeley subdivision. A major rail rehabilitation project will take place on the KP between Denver and Sharon Springs in 2011.

DTR's Wendy Wallach next described the new Division of Transit and Rail. She also noted that the Division will soon be releasing a Request for Proposals for a \$2 million Interregional Rail Connectivity Study which will then be followed up by an I-70 Mountain Corridor Automated Guideway System (AGS) Alignment and Technology Study.

Dick Hartman asked if CDOT was going to take a position on legislation promoting higher truck weights and longer truck lengths. Dick noted that the Colorado short line railroads had sent a letter to CDOT urging CDOT to oppose the higher weights and lengths. Wendy indicated that she was aware of a series of e-mails that had been circulating on this subject but didn't know what policy position CDOT's Executive Director (Don Hunt) or Chief Engineer would be taking. Wendy will follow up and let everyone know what CDOT's position will be on this subject.

Dick Hartman next described the Colorado Public Utilities latest proposal to reduce the use of coal in 4 Colorado coal fired power plants. Such a proposal would seriously impact UP's coal movement from west central and northwest Colorado. UP has recently made major investments in these lines and services and believes the state should consider the impact of UP's "stranded assets" in the event there is a major change in the fuel used at these power plants.

With regard to Tennessee Pass, UP indicated that they do not have any near term plan and will be evaluating their options. UP also indicated that as part of the State Rail Plan, deficient bridges needs to be looked at. Randy Grauberger noted that the negative economic impact to the coal mining communities in Delta, Gunnison, Routt and Moffat counties should also be taken into account. UP next discussed their Annual Operating Plan and discussed the freight rail projects that could be included in the Colorado Rail Plan. Huy Pham described the process of working with the Marketing and Network operations staff at UP to see what future capacity needs might be. UP's Long Range Plan covers the next 5 years. The map provided by UP shows 14 projects and they are listed numerically according to UP's relative priorities.

Joe Bateman stressed that technological advancements in locomotives and the economics of freight railroading are creating longer freight trains. This creates a new series of issues related to the need for longer sidings and passing tracks. This may also require revisiting the need for rail/highway grade separations to keep the trains from blocking at-grade crossings in cities and communities.

The density map that was shown by UP should not be shown in the State Rail Plan for competitive reasons. Instead, the UP would prefer that the plan identify rail tonnages in increments of 5 million gross tons.

UP's share of the rail industry's requirements (\$10 billion nationally) to install Positive Train Control (PTC) is somewhere in the \$1 – 2 billion range. The railroads are encouraging the FRA to NOT use 2008 routes used for TIH (Toxic by Inhalation) movement, but rather the 2015 routes as the basis for requiring PTC since current routings have changed. Current legislation requires PTC to be in place by 2015.

Joe Arbona then briefly discussed the UP's Commuter Access Principles covering service, safety, liability, capacity and compensation issues, which he provided in writing to the group. UP wishes to preserve existing capacity for freight growth, and would look to any public agency to fund the incremental capacity needed for passenger operations. The next, more expensive capacity is to be included at the outset, leaving UP cost-neutral when it needs to invest in additional freight capacity. He added that the agency would cover all costs of developing the capacity plan (based on UP's actual cost structures and operating conditions), including UP's time and resources. UP wants to maintain dispatching control and control of track and signal maintenance. Joe noted that no curfews or restricted hours of freight operation would be permitted. UP will not accept additional liability not existing "but for" the new passenger service, requiring state or entity requesting service to take all additional liability and a minimum of \$200 Million in insurance coverage. Use of UP assets would require a reasonable return on investment. Passenger vehicles would have to meet FRA requirements. UP is to be made whole if passenger service increases UP's tax liabilities.

He also mentioned UP's five Partnership Principles. UP wants partnerships to be voluntary. Public entities must pay for public benefits not levied directly or indirectly from railroad or shipper sources. UP would pay for private benefits. UP would coordinate project planning and provides reasonable input. Public entities must not spend public funds to alter the existing competitive relationships between the railroads.