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SERVICE DATE –

SURFACE TRANSPORTATION BOARD

DECISION

Docket No. NOR 42148

NORTH COAST RAILROAD AUTHORITY AND NORTHWESTERN PACIFIC RAILROAD COMPANY v. SONOMA-MARIN AREA RAIL TRANSIT DISTRICT

Summary of Telephone Conference Call between the North Coast Railroad Authority (NCRA), Northwestern Pacific Railroad Company (NWPCo),[1] Sonoma-Marin Area Rail Transit District (SMART) and Surface Transportation Board (STB) Staff

Held October 11, 2016, 3 PM Eastern Time

NCRA Participants: Christopher Neary, Mitch Stogner

NWPCo Participants: Douglas Bosco

SMART Participants: Edward Fishman, Jon Kerruish, Tom Lyons, Justin Marks, Kevin Sheys

STB Participants: Than Bawcombe, Evelyn Kitay, Michael Higgins, Erik Light, Scott Zimmerman

STB Staff provided a brief introduction of the participants and indicated there were some follow-up questions from the October 6, 2016 conference call. Staff explained that all except Mike Higgins will be actively participating in the case and will not be recused; that Staff would be taking notes; and that these notes may become a memo and part of the formal record of the case. Staff also explained that after asking factual questions, all Staff except Mike Higgins would excuse themselves and leave the parties with Mike Higgins in the hope that that the parties can resolve temporarily the disposition of the 12 cars at the California Northern interchange and future cars until the case is decided. STB Staff then asked whether there had been any resolution to the 12 LPG tank cars at the interchange or the 80 cars stored at the Schellville Yard. The parties confirmed that nothing had changed.

In response to STB Staff questions, NWPCo stated that there are two tracks on which cars are stored at Schellville, each track is about 6000 feet long, and the tracks have an approximate combined capacity of 190 cars; the most it has ever had there was 160, including empty and full cars. STB Staff also asked for details about the 80 cars now stored at the Schellville Yard. NWPCo clarified that the 80 cars arrived to storage in separate batches over time. It stated that the railroad began storing cars there on July 28, 2016, and about a month later SMART objected.

[1] For ease of reference we will refer to NCRA and NWPCo collectively as the railroads.

STB Staff inquired how long the cars at the Schellville Yard had been there and how long they were expected to remain. NWPCo explained under California law, seasons are defined by the state. The tank cars contain a seasonal blend of liquid propane and when winter begins, the tank cars will move to refineries. STB Staff asked why the railroad started storing the tank cars at Schellville rather than somewhere else between origin and destination. NWPCo stated that the yard has characteristics that make it suitable for this type of cargo. It stated that in approximately 2006-2008, the freight railroads spent $8 million to restore the track near Schellville including building levies, raising the track, and installing high quality track. It further explained that the area is isolated because the tracks go through dairy country, and almost no people live nearby. Finally, NWPCo stated that the tracks are only about eight miles from interchange with the California Northern Railway.

STB Staff asked whether shippers request that cars be stored at Schellville to which the railroad replied that they do not. NWPCo stated that it offers transportation and storage. It also stores grain and other products at Schellville. Staff then questioned where the railroad would store loaded LPG tank cars if the cars could not be stored at Schellville. The railroad indicated it would not be able to take the cars and would notify shippers that it could not take that type of cargo, which it noted would be unusual because the operating agreement allows the railroad to transport the cargo. NWPCo stated that although there are other sidings and industrial tracks they could theoretically take the cargo to for storage, SMART's concerns would be worse in those locations.

SMART then noted that there are locations owned by NCRA, such as the Willits segment, where the LPG tank cars could be stored. NWPCo explained that it would cost $100 million in repairs to be able to use the Willits segment.

NWPCo next explained that it has approximately 30 more LPG cars for storage, but the railroad has held off on moving those cars, which are on voluntary hold.

STB Staff next asked SMART to explain where the storage track is located in relation to where SMART will have commuter operations. SMART explained that it does not yet have any commuter service but that it uses the tracks for delivery of and testing train sets. It explained that the current plan is not to use the Lombard segment for commuter operations but to use it for training engineers and testing.

STB Staff inquired whether SMART believes its use of the line would be adversely impacted if LPG tank cars continue to move in and out of Schellville, or whether its concerns are limited to safety. SMART replied that it will need the line for material and maintenance as well as for SMART's own freight traffic. SMART will need to bring in ballast and other materials. However, SMART noted that because it is not yet operational, the impact of the stored LPG cars on its operations is difficult to know.

STB Staff also asked why SMART allowed the 80 cars into the yard to which SMART replied that it was not aware they were LPG cars that the railroad intended to store at Schellville. In response to staff questions, SMART explained that there is a mainline and two side tracks there.

The railroads then elaborated that the area where SMART will operate is called the Healdsburg segment and it is about 15 miles from the Schellville Yard. They asserted that SMART would be very unlikely to conduct any training on the side tracks and that the Lombard segment, next to the Schellville Yard, is always open. They stated that although SMART has used the railroad to move its own freight, it advised NWPCo that it is acquiring its own locomotive for this purpose.

STB Staff then asked what is the concern with allowing storage during arbitration if commuter service won't begin on the line near the yard. SMART responded that it violates the contract and that storage is not in compliance with the applicable regulations.

SMART then noted that the 12 cars at the interchange point do not prevent access or create a blockage to or from the railroad's line, which is evidenced by the fact that cars were moved on Sunday. The railroad clarified that it did move cars, but it was a lot of extra work. It had to take out a locomotive, push the 12 cars up about a mile on the California Northern to a siding, move other cars coming in, and then push the 12 cars back into place on the main track. It noted that this extra movement is far less safe than storing in the Schellville Yard. It also mentioned that the California Northern will not allow NWPCo to keep the 12 cars on its track.