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Tacoma, Washington 98421

TACOMA PUBLIC UTILITIES

July 11, 2006

Mr. Richard F. Timmons, President
American Short Line and Regional Railroad Association
50 F Street, N.W.
Suite 7020
Washington, D.C. 20001-1564

Dear Mr. Timmons:

I received your letter requesting information regarding Tacoma Rail's operating plan with the Port of Tacoma. Tacoma Rail has planned for and continues to manage the unprecedented growth we are experiencing. The following are the components of our Planning for Peak (P4P) program.

Planning for Peak:

Safety:

- Perform daily field tests on all crews.
- Developed and implemented an operational rules compliance program ensuring efficient and safe train movements.

Transportation:

- Currently in negotiations with the mainline railroads to take over operations at two additional freight yards to maximize coordination and improve velocity throughout the port. In addition, Tacoma Rail will be providing daily inspection and maintenance services for the mainline railroads' locomotives.
- Purchased three additional locomotive power units since July 2005.
- Hired additional crew members.
- All partners participate in daily conference calls to optimize train arrival and departure schedules in order to maintain traffic flow throughout the port area.

Technology:

- Tacoma Rail has created advanced electronic reports for all partners; i.e. dwell time, footage capacity and car location.
- Daily and/or weekly summary reports are sent automatically to all partners and customers.

Customer Service:

- Developed and implemented the Tacoma Rail Operations Center with the Port of Tacoma, Union Pacific, Burlington Northern Railway to develop train slot plans 24/7 and execute the plan.

- Working with the mainline railroads to move the interchange points to outlying locations to improve train departure times and minimize rail congestion in the port area.
- Tacoma Rail has assigned a full time staff to work with all freight customers to communicate expectations and address concerns.
- Inform all customers of their demurrage bills and car dwell times via daily / weekly summary reports.

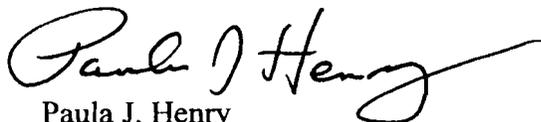
In addition to the above activities, Tacoma Rail's Planning for Peak program has been shared with our customer base during a series of workshops which are conducted each year. During these customer workshops Tacoma Rail outlines activities from the previous year and outlines infrastructure and capital improvement plans for the coming years. Each customer is provided an opportunity to communicate any service issues and provide freight forecasts for the upcoming year so the customers' needs may be planned for and met. These workshops are well attended and the exchange of information is invaluable.

Our largest customer, the Port of Tacoma, is our strongest partner. Both Tacoma Rail and the Port of Tacoma jointly plan the design and operating plans of the rail infrastructure. We jointly fund and participate in rail capacity studies.

Tacoma Rail and its rail partners/customers recognize the need to jointly address service and infrastructure demands in order to be poised for the future. The Pacific Northwest region has become and will continue to be a key player to the nation's railway system fluidity and performance.

Thank you for the opportunity to share how Tacoma Rail has been planning for peak service and infrastructure demands. If you have any questions regarding our planning activities, you may reach me at 253-405-0767.

Sincerely,



Paula J. Henry
Chief Operating Officer

Cc: ASLRRRA file