



TO: Mayor Strickland and Members of the City Council
FROM: William A. Gaines, Director/CEO, Tacoma Public Utilities
Dale W. King, Superintendent/COO, Tacoma Rail
COPY: TC Broadnax, City Manager and City Clerk
SUBJECT: Reissue Tacoma Rail Rate Policy and Freight Tariffs – December 1, 2015
DATE: November 6, 2105

SUMMARY:

Tacoma Rail requests authorization to update the Rail Rate Policy and reissue the TMBL 8807 and TMBL 6004 series freight tariffs.

STRATEGIC POLICY PRIORITY:

- Foster a vibrant and diverse economy with good jobs for all Tacoma residents.
- Encourage and promote an efficient and effective government, which is fiscally sustainable and guided by engaged residents.

Tacoma Rail's TMBL 8807 and TMBL 6004 series tariff updates support the local rail served customers. The Rate Policy update promotes fiscally sustainable practices for making Tacoma Rail rates.

BACKGROUND:

Tacoma Rail's customers consist of local industries and other railroads. The Rail Rate Policy provides direction for planning decisions and ensures that Tacoma Rail provides reliable and competitively priced service to these customers. The last Tacoma Rail Rate Policy update was January 2007. Changing the debt service coverage ratio to 1.5 has already been maintained via its 2007 Senior Lein Bond and it allows Tacoma Rail to be more fiscally attractive to borrowing opportunities. The Rate Policy update also adds grants as a financing vehicle and provides direction concerning cost of service fuel surcharge practices.

Tacoma Rail's Freight Tariff TMBL 8807 series was last updated in 2012. The TMBL 8807 series tariff defines line haul and miscellaneous switching charges allocated to the movement of railcars. Line haul rates are typically charged to the BNSF or Union Pacific unless the industry served or shipper elects to pay the fees themselves. The Freight Tariff TMBL 8807-F tariff includes US Oil and Targa Sound Terminal unit train rates. These cost of service rates are \$210.00 and \$295.00 per loaded railcar, respectively. Unit trains as defined by the tariff are trains of more than 90 railcars consisting of a single commodity and destined to a single facility.

Tacoma Rail's Freight Tariff TMBL 6004 series was last updated in 2012. Demurrage is a fee charged to customers for the undue detention of a railcar, which is federally required by the Code of Federal Regulations. The new tariff includes an additional straight demurrage plan and provides clarification to demurrage practices. A straight demurrage plan calculates demurrage on a per railcar basis. The only current demurrage plan is for demurrage credits and debits to be pooled and offset at the end of each month. Demurrage clarifications include late switches, missed switches, demurrage computations and application to railcars under repair. The demurrage rate of \$50 per day remains the same.

ISSUE:

The current Tacoma Rail Rate Policy is outdated and requires policy enhancements. The current Tacoma Rail Freight Tariff TMBL 8807-E doesn't encapsulate cost of service unit train rates associated with the



order of magnitude associated with handling unit trains. The current Tacoma Rail Freight Tariff TMBL 6004-A doesn't give the customer the opportunity to opt for a straight demurrage plan.

ALTERNATIVES:

One alternative is no change, which is not viewed as the most fiscally responsible approach for Tacoma Rail or its customers.

RECOMMENDATION:

Tacoma Rail recommends approval of the proposed Rate Policy, Tacoma Rail Freight Tariff TMBL 8807-F and Freight Tariff TMBL 6004-B with an effective date of January 1, 2016 to ensure reliable rail services at cost of service rates.

FISCAL IMPACT:

No fiscal impact. Revenues herein are a part of a restructuring of rates with no additional revenue anticipated.