



**MINUTES**  
 City of Tacoma  
 Public Utility Board/Port of Tacoma (POT)  
 Joint Study Session  
 November 6, 2013, 10:30  
 The Fabulich Center

APPROVED 11-13-13

Present TPU: David Nelson, Mark Patterson, Monique Trudnowski, Bryan Flint (arrived 10:45). Excused: Woodrow Jones.

Present POT Commission: Don Meyer, Clare Petrich, Don Johnson, Connie Bacon, Dick Marzano

Don Meyer, Commission President, called the meeting to order at 10:30 am and made introductory and welcoming remarks. David Nelson, TPU Board Chair, thanked staff for their work and dedication. Introductions were made.

John Wolfe, Port of Tacoma CEO, made opening remarks. Mr. Wolfe summarized rapid changes in the industry and the many opportunities the changes present. Mr. Wolfe spoke to how the POT and Tacoma Rail must work together to respond and be competitive by partnering together. The partnership agreement with Tacoma Rail will strengthen financial positions and serve customers better. The POT is looking forward to a strong partnership with Tacoma Rail for many years to come.

Bill Gaines, Director of Utilities/CEO for TPU, made comments that focused on new the operating agreement. TPU sees itself in partnership with the POT in this new agreement. We try to be a good partner and good service provider. The new agreement provides stability and enables both sets of staff to work together in a cooperative fashion. It is a pleasure to work with the POT senior staff.

Rail Operating Agreement Update

Don Esterbrook, POT COO, stated Tacoma Rail and the Port share a common goal to have the most efficient rail product to satisfy customers and attract additional business to the POT.

As background, on July 1, the POT and TPU entered into a new 20 year operating agreement which builds on a long-lasting cooperative relationship and establishes a platform for joint planning and operation of separately owned equipment, land, rail track and infrastructure that functions as a system.

Dale King, Tacoma Rail Superintendent, reviewed the operation framework and key elements of new operating agreement. The framework confirms Tacoma Rail as the service provider for Tide Flats rail switching services and affirms Tacoma Rail as a cost-of service provider. It clarifies roles, responsibilities, and service level expectations and emphasizes performance and encourages benchmarking. It results in no new costs for the Port or its customers and sets aside a portion of revenue from increased volumes for investment in mutually agreed infrastructure projects and business development efforts to support future growth.

Two joint committees were formed by the agreement: 1) The Management Committee is comprised of the two CEOs and focuses on strategic objectives and oversight; 2) Operating Committee, which is staffed by the POT COO and Tacoma Rail Superintendent and focuses on day-to-day operations and tactical issues.

Dale reviewed standing agenda for these meetings the and jointly established key performance indicators (KPIs).

#### Rail service capacity & capabilities

Mike Reilly, POT Intermodal Director, stated that the POT has the capacity today and the next three to five years to handle all business efficiently and effectively. This portion of the presentation will show different plans for investment in infrastructure so that when new business is presented, the POT is in the position to handle it effectively. Mr. Reilly then utilized maps to detail competitive landscape in the Midwest, Midwest via all-water routing, Canada Pacific and Canadian northern lines. Mr. Reilly shared graphical representations of commodities and competition for mainline capacity.

Mr. Reilly outlined the competitive landscape and shared graphical representations illustrating it. In summary, Class 1 railroads are striving to reach a common goal of an operating ratio below 70 percent. Class 1 railroads are focused on how they can capitalize on the crude-by-rail business. Class 1 railroads expect minimal growth in international intermodal business in 2013 and 2014.

Dale King stated the Port's rail service to and from our key origin and destination points is competitive with all west coast ports and all types of rail. The Port's pricing is competitive with US/PNW Ports for international intermodal and with San Pedro Bay

ports in respect to domestic intermodal. Mr. King detailed KPIs for switching, on-time, rail car velocity, percentages. Mr. King stated we have a coordinated approach to service enhancement and that is to implement a comprehensive scheduled rail service design and broader collaboration. Mr. King shared photos of current tideflats rail system capacity, tideflats rail enhancements, and the future Tacoma terminal complex.

In summary, the new agreement is a great foundation. It develops a comprehensive scheduled rail service design for the tideflats that integrates our customer's business requirements and rail network capabilities. It establishes a mutually agreed upon performance metrics with Tacoma Rail and the Class 1 railroads, measuring service deliverables on a weekly basis.

There were complimentary remarks from both the Commission and the Board on management and collaboration on this agreement.

#### Port Terminal Lighting Efficiency Retrofit Efforts

Bill Gaines made framing remarks on POT/TPU lighting project partnership for energy conservation. Tacoma Power will meet future load with conservation and to that end, our relationship with Port is essential. Peter Meyer, Tacoma Power's Commercial/Industrial Conservation Manager, and Dan Crawford, the POT's Senior Project Manager for Environmental Quality, were introduced.

Mr. Meyer summarized the successful Tacoma Power/POT lighting projects which equaled energy savings of 1,819,683 kWh per year. Photos of completed lighting sites were shared. The technology utilized to replace the old high pressure sodium lights was detailed. New pulse start metal halide lights were used. Advantages of the new lamps include improved color and visibility, less light depreciation over time, longer lamp life, enhanced safety, and it is a cost effective solution to replace lamps and ballasts and keep fixtures.

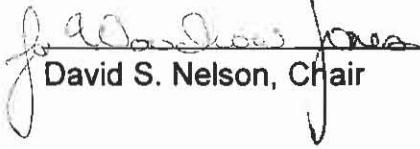
Mr. Crawford detailed future retrofit plans including Husky terminal, SIM and NIM yards. Photos of the NIM yard, SIM transfer yard, and Husky Pier were shared. The annual kWh savings projected for these upgrades is 398,132. The project schedule was outlined; the project completion date is April 2014.

In conclusion, there is a strong history of working together for improvements for outdoor lighting and capturing cost and energy savings.

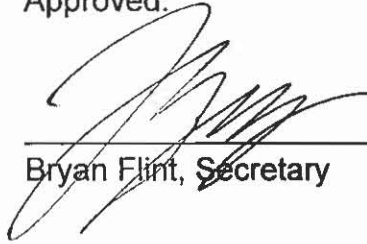
**Adjournment**

The study session was adjourned at 12:13 p.m.

Approved:

  
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David S. Nelson, Chair

Approved:

  
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Bryan Flint, Secretary