



Freight Rail Assistance Application - October 2006 Gravel/Rock Open Top Railcars

1 Contact Information

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2. Project Description

Rim Rock is a large gravel and rock quarry under final permitting in Pierce County. The pit is located in Eatonville along the Tacoma Rail Mountain Division. The project envisions transporting gravel and rock by rail to a processing plant and distribution center in Frederickson. The target quantities are one million tons per year, with capability to increase to two million tons per year.

The rail distance is 18 miles but the road distance is 21 miles, primarily using State Hwy 7. To meet the demand for product, Tacoma Rail has created a service plan using two-25 car trains, with 5 spare cars. Each car will handle 100 tons. The transport will be all rail with loading facilities and unloading facilities being constructed on a combination of Tacoma Rail right-of-way and Randles' property.

The private investment for the loading and unloading facilities will be done by Randles Sand and Gravel.

This request is for 50% support of the expected cost of \$4.1 million of the 55 rail cars. The cars will be owned and maintained by Tacoma Rail and put in service for the Rim Rock Project and other potential rock and gravel customers. Letters of intent and pre-contract service agreements (CONFIDENTIAL) are in place (see confirmation letter dated June 26, 2006). The agreements anticipate a 20 year contract.



TYPICAL OPEN TOP HOPPER

The value to the State is elimination of truck traffic. Given the one million ton target, and assuming 34 tons per truck, the annual savings would be slightly under 60,000 truck trips per year or 1,235,294 heavy truck miles per year.

The project connects the rock/gravel pit in Eatonville with the process and distribution center in Frederickson.



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TACOMA RAIL
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June 28, 2006

Ms. Paula Henry
Superintendent
Tacoma Rail
2601 SR 509 North Frontage Road
Tacoma, WA 98421

RE: Update of Letter of Intent date October 1, 2004

Per my discussion with Ron Ernst it is still my intention to develop the Rim Rock facility at Eatonville and use rail as the primary means of shipping product to my production facility in Frederickson. My business plan calls for initial shipments of 1,000,000 tons per year with capability of 2 million tons.

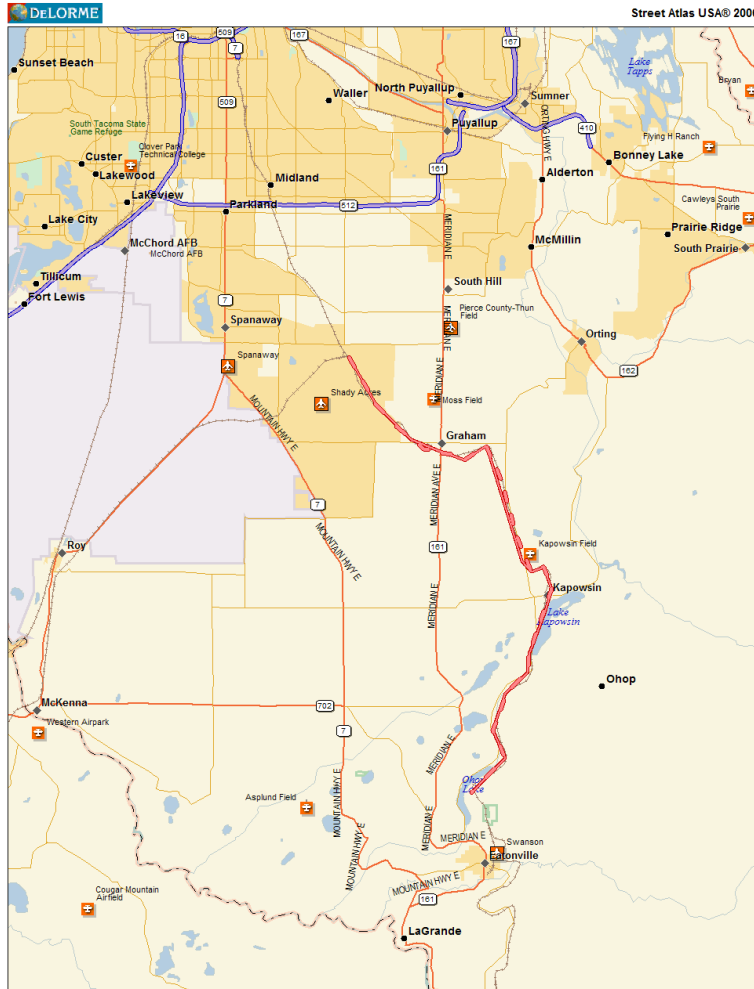
My initial target date of June of 2007 is no longer realistic. Permitting delays have caused a slide in the schedule. My target now is the first quarter of 2008. Once the project has a scheduled public hearing date on the permitting request the time line will be easier to estimate.

Thank you for your patience as I develop this project.

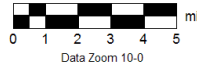
Sincerely,

A handwritten signature in black ink, appearing to read "Dave Randles", is written over a horizontal line.

Dave Randles
President



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Red line denotes rail path from quarry to processing center in Frederickson

3. Project Schedule

Project Milestone	Month/Year
Complete project definition	Feb 2007
Begin preliminary engineering	March 2007
Complete environmental documentation	NA
Complete right of way certification (may include acquisition)	NA
Start construction	November 2007
Construction compete and project functionally operational	Feb 2008

4. Project Cost

The current market price for open-top gravel/rock cars is approximately \$75,000 each (source First Union Rail).

5. Proposed Funding

Funding Source	Public or Private	Cash or In-Kind	Amount
Local –			
Local - Other			
Railroad – City of Tacoma	Public	Cash/financing	\$2.062 M
WSDOT	Public	Cash	\$2.062 M
Federal Funds			
Other			
Total			\$4.125 M

6. Reduced Road Impacts

The value to the State is elimination of truck traffic. Given the one million ton target, and assuming 34 tons per truck, the annual savings would be slightly fewer than 60,000 truck trips per year or 1,235,294 heavy truck miles per year.

7. List of Shippers

Randles Sand and Gravel, 19209 Canyon Road, Puyallup, Washington 98375

8. Safety and/or Urgent Need

Transport of gravel by rail eliminates occasional “dribble” from trucks that results in car windshield damage.

9. Reducing System-wide Rail Delays

Not applicable

10. Preservation of Rail Line

Not applicable

11. Environmental Impacts

Gravel, sand and rock are critical building materials for almost any construction in the State. Transport of the raw material by rail is the most environmentally sensitive method. The fuel cost in ton/mile for rail is substantially lower than the ton/mile cost of trucking.

12. Regional Economy

The wholesale value of finished rock, sand and gravel is in the range of \$9-\$15/ton. Based on a one million ton production target the process will produce \$9-15 million of economic activity and offer rock, sand and gravel at competitive prices for local and regional construction.

The life expectancy of the Randal's quarry in Eatonville is at least 30 years. Materials extracted from the quarry will be processed at the existing Randal's Rock facility in Frederickson, with an effective post processing distribution radius of 30-40 miles from that facility. Local area demand (within this radius) for the type of post processing materials produced is estimated at 10 – 15 million tons per year.

13. Project Business Plan

Management Team

Paula J. Henry is the railroad's Superintendent / Chief Operating Officer and has worked at Tacoma Rail since 1998 – as Superintendent since December 2005 and previously as Assistant Superintendent. Prior to working at Tacoma Rail, Ms. Henry held a number of administrative, planning and project management positions within City of Tacoma government since 1985. Ms. Henry is a graduate of Western Washington University in Bellingham, Washington with a bachelor's degree in regional urban planning. She currently holds an executive seat for the Board of Directors of the American Shortline Railroad Association. Ms. Henry is a member of the National Association for Railroad Female Executives, the National Association for Female Executives, Bates Technical College Foundation Board of Directors, and the World Trade Center. She has been a certified and licensed locomotive engineer.

Dan Burns is Assistant Superintendent and heads the Network Operations for all three of Tacoma Rail divisions. He joined Tacoma Rail in early 2006 following 30 years of varied experience on the Milwaukee and the Burlington Northern Santa Fe class I mainline railroads. His railroad assignments spanned the western United States in such varied positions as Region Service Performance Manager, Director of Administration, Manager Dispatcher Performance and various operating department positions. Most recently he spent 5 years as the Terminal Manager in Tacoma for the BNSF. He has been a certified and licensed locomotive engineer.

Alan Hardy is the railroad's Roadmaster and Mechanical Department Manager (Section Manager, Mechanical and Construction) and has worked for Tacoma Rail since August of 2004. Before coming to Tacoma Rail, Mr. Hardy worked 9 years for the nation's largest and the world's 2nd largest railroad track equipment manufacturer and contract services company as supervisor and manager assigned to the Union Pacific and Burlington Northern Santa Fe railroads in large scale construction and maintenance contracts. Before that he worked for a very successful short line railroad owned by and serving a Fortune 500 paper company in Northwest Florida. He held the positions of Signal Maintainer, Assistant Roadmaster and Roadmaster during his 21 year career there. Mr. Hardy graduated from Wallace Community College in Dothan, Alabama with a two year technical degree in electronics. Mr. Hardy has completed a variety of railroad related courses and seminars and has been a member of the American Railway Engineering and Maintenance-of-Way Association since 1982.

Business Approach

Our strategic mission at Tacoma Rail is to deliver the best rail service possible by providing a switching operation that is safe, cost competitive, reliable and efficient. See insert on Mountain Division of Tacoma Rail.

Financial plans – see separate submittal; income statements, cash flow statements and balance sheets for 2003, 2004, 2005.

Proformas – The current estimate of cost of service for the rock/gravel transport is approximately \$1.75 per ton. At the target of 1,000,000 tons/year the revenue to Tacoma Rail would be \$1,750,000 per year. Of this approximately \$1,200,000 would be the direct cost of service with the remainder going for repayment of capital investment and maintenance of track and signals. Tacoma Rail is a cost-of-service utility.

14. Economic Development Benefits

Increased availability of rock/gravel for construction in the three county area.

15. Additional Comments

Tour of rock/gravel operation available on request.