



2007 State Street, Salem, OR 97301 (503)-480-0523 www.PortofWillamette.com

June 3, 2019

Oregon Transportation Commission
355 Capitol St. NE, MS #11
Salem, OR 97301

Re: Supplemental Submission in Regard to Intermodal Grant Application

Dear Oregon Transportation Commission Members:

The Oregon Port of Willamette has gathered significant supplemental information in regard to our proposed intermodal facility for Brooks, Oregon. The following is an outline of the supplemental information, which is reflected in the exhibits attached to this letter.

Railroad Connections

We have secured a letter from the Union Pacific Railroad, a Class I Railroad, which outlines how the Union Pacific, which serves the Ports of Seattle and Tacoma, can connect with the Portland and Western Railroad to provide rail service between the Brooks intermodal facility and the Ports of Seattle and Tacoma. We also have received a letter from the Portland and Western Railroad, which will directly serve the Brooks intermodal facility, specifying how it will interconnect with the Union Pacific. In addition, we have corresponded with the Northwest Seaport Alliance (the Ports of Seattle and Tacoma) and we have confirmed the details as to how the Union Pacific rail service will connect with shipping in Seattle as well as Tacoma. These documents are Exhibits A, B, and C. We will move into rate negotiations as this project proceeds.

We have engaged in substantial communications with the Burlington Northern Santa Fe Railroad (BNSF) in regard to their capability to also serve the Brooks intermodal facility by connecting with the PNWR. These communications have included personal meetings, telephone conferences, and emails. Throughout this process the BNSF officials have been friendly and accessible. BNSF, as an institution is still in the process of determining how they would respond to our offer of business. I have attached, as Exhibit D, a listing of all the officials at BNSF with whom we have had communications. I have also attached, as Exhibit E, letters from the PNWR

indicating how they can connect with BNSF through interchange agreements. We will continue our communications and negotiations with BNSF.

Brooks Business Volume

Our earlier submissions demonstrate that our Brooks facility will serve a substantially larger market than the market served by the Millersburg facility. There are also general market studies in the record which demonstrate that there is a substantial market for imports and exports which will support the economic viability of our Brooks intermodal facility. Following up on our recent conversations and developments with the Portland & Western Railroad, Union Pacific Railroad and Burlington Northern Santa Fe Railroad, we have gathered additional market information as to our Brooks intermodal facility.

In recent weeks I have tested the market potential by personally contacting shippers who export containers from the Willamette Valley through the Ports of Seattle and Tacoma. I have explained to these shippers that our plan includes having the facility open for delivery or pickup of containers on a 24 hours a day/7 days a week schedule. I described the nature of our proposed rail service between Brooks and the Ports of Seattle and Tacoma. I then asked each shipper if the company would export its containers by making use of our Brooks facility, assuming that our shipping rates will be competitive with truck shipping rates. I also asked each shipper to provide me with an average number of 40 foot containers that it ships, annually, from the Willamette Valley through the Ports of Seattle and Tacoma. I have personally confirmed that all 23 exporters I contacted will use our Brooks intermodal facility, and they have an annual combined volume of 42,350 containers to be shipped. Using the international TEU standard of 20 foot containers, this represents an annual volume of 84,700 TEUs. The tally sheet of this information is attached as Exhibit F. I have not listed the names of the businesses as some asked for confidentiality for competition reasons.

Many shippers indicated that, while they will use the Brooks facility, they will not use the Millersburg facility.

We have calculated the road distance of each of the 23 shippers to the Brooks facility. This calculation is marked as Exhibit G and is attached. Please note that 18 of these shippers are within 35 miles of our Brooks facility. The other five are South of Millersburg. The average distance for all 23 shippers is 24.13 miles from the Brooks facility.

I have begun to calculate import volumes. We have identified several importers who would likely use our Brooks intermodal facility for their imports through the Ports of Seattle and Tacoma. The combined import volume of two of these key interested importers averages 11,000 containers a year. Most of the key importers are national and international companies so gathering import logistics information and obtaining business decisions from these importers will take more time.

Updated Business Plan

We have continued to update our Business Plan as additional market information is obtained and analyzed. A summary of the updated Business Plan, prepared by Frank Onimus of Strategic Rail Finance Services, is attached as Exhibit H. This builds upon the earlier Business Plans developed by Oregon Port of Willamette and reflects continual inputs from Jonathan Lafevers, CCO of Cordele Intermodal Services, Inc. (CIS) and President of Heart of Oregon Intermodal Services, Inc. (HOOI) our intermodal facility operator.

Intermodal Facility Operator Contract

As we have proceeded with conversations with Portland & Western Railroad, Class I railroads, Ocean Carriers and the development of our plans with the Brooks intermodal facility, we have continued to work closely with Jonathan Lafevers of CIS and HOOI to develop more details of our operating contract. We previously provided a Memorandum of Agreement between Oregon Port of Willamette and CIS. We now have a comprehensive contract in place. This provides extensive details about how HOOI will interact with Oregon Port of Willamette. A copy of the comprehensive contract is attached as Exhibit I. I have also attached a letter to the Commission from Jonathan Lafevers. This is Exhibit J.

Step 3 Decision Considerations

In April we received an attachment which listed Step 3 Decisions Considerations. I will review these points below as I believe we have addressed all of them.

1. Project Readiness and Timelines for Service Agreements. We are prepared to exercise all nine options to purchase property shortly after receiving grant approval. We have our engineering and design consultants standing by to immediately expand their plans after grant approval occurs. We have our service agreement in place for the intermodal operator. We have quotes in place for purchase of the necessary rail cars, with a timeline to place the order in June 2019 and receive delivery in March 2020. Ground breaking on construction can begin in July 2019, making use of bridge financing from our bank (which provided bridge financing on the \$625,000 grant for project development). We anticipate that ODOT will work diligently with us to finalize a grant implementation agreement but pending such final agreement we will begin green lighting the project. We will also continue to develop details as to proposed BNSF rail service and UP rail service as we solidify shipping agreements. We expect to have Memoranda of Understanding in place by October, as to service arrangements.

2. Transportation and Economic Benefits to Oregon from the Facility. Our “real world” shipping market test, included with this submission, shows that we can reduce the number of containers traveling into or through Portland by 42,350 containers a year, each way (we will have matchback container arrangements); that reflects 84,700 less tractor trailer truck trips into or through Portland, with a parallel reduction in carbon emissions and increased fuel efficiency, on top of the reduction of congestion in the amount of 232 trucks per day. This is only the beginning, as we will continue to line up business and

there will be a dramatic increase in the responsiveness of shippers once they know that we truly will establish a facility in Brooks.

3. Potential Economic Catalyst for Additional Growth and Investment. We have already demonstrated a capability to work with the Northwest Seaport Alliance (Ports of Seattle and Tacoma) in defining our rail service with the Union Pacific. We will continue to engage in discussions as to rail service with BNSF, in terms of terminal access in Seattle and Tacoma. The immediate economic benefit to our exporters will be the efficiency and predictability of our rail service. Our facility will be open 7 days a week, 24 hours a day, which enhances our attractiveness for exporters with irregular delivery schedules. This also enhances our attractiveness to importers; at least two major importers have indicated to us that our “around the clock” availability will be a significant factor in favor of their use of our facility as these importers operate 24/7 distribution systems.

Our Business Plan anticipates that we will save our exporters at least \$100 per container in shipping costs. Simply based on our documented market of 42,350 containers, this is an annual savings to Oregon shippers of \$4,235,000. We may actually charge \$200 less than the truck market, which could push the actual savings on shipping to over \$8 million annually. This does not include the benefit of reduced cost to importers, where we anticipate the savings again will be at least \$100 per container. This may be affected by our cost to bring in empty containers in the matchback system. But we are including those costs in our Business Plan so the savings to importers should parallel the savings to exporters to the extent that we have equivalent import volume. The import market should support at least 30,000 containers per year. At \$100 savings per container, this is a savings of \$3 million annually to our importers.

A key element of these savings is the enhanced competitiveness of Oregon exporters.

As we have reached out to the Brooks-Hopmere community and beyond, we have found that there is a significant interest in developing agricultural/transportation related facilities in the region around our proposed facility. This significance has become so apparent to the Marion County Board of Commissioners that they are now in the process of establishing a Master Plan relating to the Brooks-Hopmere region, with consideration of transportation facilities related to agriculture as well as transportation facilities generally. The Commissioners issued a request for proposals and are considering two planning firms as finalists in this process, as of June 3.

4. Brownfield versus Greenfield Development. All 210 acres of our intermodal site are greenfield. Less than 10 acres might be considered wetlands but these are not in active production areas and are not presently designated as wetlands. Our topography is flat, which is perfect for this facility. We have conducted a search for cultural artifacts under federal standards and have a green light for development from this perspective.

5. Risk of Rail Operator Non-Service in the Future. Our Brooks site is physically adjacent to the Portland and Western Rail Line. PNWR owns the track and presently actively uses this as the PNWR main line. PNWR has interchange capability with Union Pacific and

with BNSF and there is no suggestion that either Class I Railroad will limit its rail service system in the future. Ownership of our facility and control of our rail cars, coupled with service by a shortline railroad, means that we can fit in with Class I Railroad service changes, as we will provide them with economic benefits without any capital investment on their part. PNWR is wholly owned by Genesee and Wyoming Railroad, which successfully and profitably owns and operates shortline railroads nationally and internationally. PNWR is so well-managed that it is one of only four railroads in the entire United States which successfully installed a positive track control system on its entire line by December 31, 2018. All other railroads needed extensions of time. PNWR also operates the commuter rail line between Wilsonville and Beaverton. We have worked closely with PNWR in the engineering plans for our facility to make sure that it will not in any fashion restrict the opportunity for future commuter rail service from Wilsonville south to Salem should such service be implemented.

6. Transportation Impacts to Existing Infrastructure. From a technical perspective our traffic study has indicated that the impact of our facility on neighboring state and county roads will not require that we bear the burden of neighboring transportation infrastructure improvements. However, we have recognized that the existing transportation infrastructure in the Brooks-Hopmere area should be improved and we have initiated preparation of engineering drawings and cost estimates to seek federal grant funds for the following projects: widening the off-ramps from I-5 to Brooklake Road to include right and left turn lanes; installing traffic signals for each of these off-ramps; widening Brooklake Road from I-5 west to River Road, to include a center-left turn lane; modernizing the intersection of River Road and Brooklake Road to include right and left turn lanes and a traffic signal. We will include establishing an entry road from Brooklake Road to our facility as part of our initial capital expenses and this will provide neighboring Antique Powerland with a modern additional entry road on the west side of its facility, providing for more efficient additional entry and exit traffic capability for that facility. We have already developed a basic BUILD grant application for an initial set of improvements to the intermodal facility and we are now in the preliminary stages of preparing an INFRA grant application for transportation improvements in the region. We have conferred with Marion County Planning in regard to cooperation for such efforts. This all fits in with Marion County's new Master Plan development for the region.

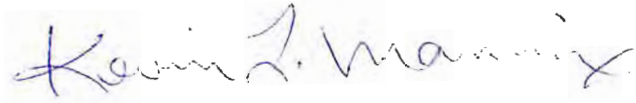
Summary

We very much appreciate the time and attention devoted to this important intermodal project, and the potential grant award, by the Oregon Transportation Commission and the Oregon Department of Transportation. We have submitted sufficient information, we believe, to fully qualify our Brooks intermodal proposal for a grant award. We respectfully request that the Oregon Transportation Commission act soon to make this grant award, and to award it to the Oregon Port of Willamette, so we can proceed with the necessary substantial steps to develop rail rates and service schedules; exercise our options to purchase the necessary property; and initiate the construction process and the development of more detailed engineering, architectural, and construction plans to guide our general contractor, Knife River. We will promptly provide any additional information the Transportation Commission may require and we would welcome an

opportunity to make a personal presentation to the Commission at your June 20, 2019 meeting or any other time you may specify.

Thank you for your consideration.

Sincerely,

A handwritten signature in blue ink that reads "Kevin L. Mannix". The signature is written in a cursive style with a large initial "K".

Kevin L. Mannix
Executive Director
Oregon Port of Willamette