



COMMUNITY

**Alaska Railroad Corporation
2nd Quarter 2012**



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Get the status and details about Alaska Railroad capital improvement projects along the rail corridor, from the Seward coal loading facility, to Chugach Forest whistle stops, to the Port MacKenzie Rail Extension, to the Northern Rail Extension, to bridge and track rehabilitation and repair.

RAILROAD ESCAPES DEVASTATING \$ CUTS

Railroad supporters rally to temper federal grant reductions

Thanks to the efforts of Alaska's congressional delegation and an outpouring of vocal support from Alaskans across the state, the Alaska Railroad (ARRC) narrowly escaped potentially devastating cuts in federal funding.

On June 28, a compromise was reached by U.S. lawmakers appointed to a joint House-Senate Conference Committee tasked with negotiating new surface transportation legislation. The compromise bill retains Federal Transit Administration (FTA) funding for ARRC at about \$31 million — a tremendous outcome in the face of an uphill challenge

(see "Financial Challenges" on page 3)

RAILROAD SUPPORTS GVEA WIND PROJECT

Remote interior wind farm location makes rail transport essential

Since fall 2010, the Alaska Railroad (ARRC) has worked with Golden Valley Electric Association (GVEA) to support construction of Alaska's largest wind project located north of Healy. The Eva Creek project will erect 12 wind turbines about 15 miles up Ferry Road from the Parks Hwy. Given the remote location, ARRC's involvement is essential. Because Ferry Road does not cross the Nenana River, transportation over the river is limited to rail.

In fall 2011, ARRC began mobilizing construction equipment used to improve Ferry Road and construct large staging and project office areas. In April 2012, ARRC delivered more equipment to upgrade the Ferry Ramp area, continue Ferry Road improvements and develop the gravel source. ARRC has also been delivering cement, 400 tons of rebar, electrical conduit, fuel, culverts, drill rigs, a rock crusher and screens, a concrete batch plant, huge cranes, dump trucks, scrapers, loaders and much more.

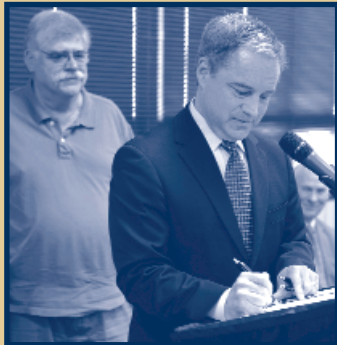
(see "Wind Project" on page 3)



Two 149-foot wind turbine blades fit onto three flat cars. (Photo by David Blazejewski).

Visit our web site at
www.AlaskaRailroad.com

LONG-TERM LEASE POLICY CHANGES



Gov. Parnell signs the 95-year lease bill (courtesy of Governor's Office).

The Alaska Railroad (ARRC) Board of Directors recently approved revisions to the Long-Term Lease Policy that were developed with the input of lease customers and real estate experts who participated on an ARRC Real Estate Advisory Committee.

The revised policy allows three methods for adjusting lease rent to reflect fair market value (FMV) over the life of a lease: 1) via regular appraisals (every 5 years) with maximum “rent cap” and minimum “rent floor” provisions; 2) by annual rent escalator percentage with periodic appraisals to true-up FMV; and 3) by lesser of consumer price index or an annual percentage escalator along with periodic true-up appraisals.

The revised policy also extends the maximum lease term from 55 to 95 years. This required state legislators to pass a new law this spring. ●

ARRC REVISES DONATION POLICY

Railroad focuses on in-kind charitable / civic contributions

In June, the Alaska Railroad (ARRC) Board approved Corporate Donation Policy revisions to reflect a greater emphasis on in-kind donations. As cash donations and sponsorships have been curtailed in light of economic challenges, in-kind donations remain an important part of the railroad's philanthropic efforts. ARRC provides rail tickets, posters, prints, pins, used ties, used equipment, facility use, transportation and other in-kind goods and services to hundreds of non-profit organizations statewide. ARRC also supports a popular program that donates use of the elegant *Denali Railcar*. Many use these contributions to raise funds, increase membership, boost awareness and otherwise benefit the organization and community. The revised Corporate Donation Policy and the Denali Car Policy, along with respective forms, are posted at www.AlaskaRailroad.com > Community > Charitable Giving. ●

STEAM LOCO RESTORATION STATUS

Engine 557 restoration project gains nonprofit oversight

The effort to restore an historic locomotive to service on the Alaska Railroad (ARRC) is gaining steam thanks to a nonprofit recently established to oversee the project. The Engine 557 Restoration Co. (RestoreCo) came by way of the Alaska Community Foundation (ACF),

which has helped to establish nearly 300 funds/endowments that benefit Alaska. ACF agreed to establish and administer a new fund to support the 557 project, while RestoreCo will coordinate fundraising, hire subcontractors, recruit volunteers and oversee the restoration work. ARRC will provide a work area and support services. ARRC President / CEO Chris Aadnesen and retired local businessman and rail fan Patrick Durand are working to populate the non-profit board of directors and volunteer organization.

Expected to require at least 15 months to complete, the restoration project is estimated to cost \$600,000 to \$700,000. Major costs include initial tooling, asbestos removal and abatement, replacing galvanized steel cladding, new insula-



Steam Engine 557 on open house display.

tion, boiler and tubing replacement and repair, gear inspection and repair, painting and positive train control electronics.

The Rasmuson Foundation recently approved a matching grant of up to \$350,000. Cash and in-kind contributions are being sought from a variety of donors, foundations and community sources, as well as smaller donations from railroad fans. Donations can be made to:

Alaska Community Foundation
Attn: Engine 557 Restoration Co.
400 “L” Street, Suite 100
Anchorage, AK 99501

OR online at www.alaskacf.org.

For more information, contact ARRC VP Corporate Affairs Wendy Lindskoog at 907.265.2498; lindskoogw@akrr.com. ●

WIND PROJECT RELIES ON RAILROAD TRANSPORTATION ...

(continued from page 1)

Wind turbine components are coming from Germany, Korea and Arkansas. Turbine towers, split into three sections (71 to 91 feet) arrived at the Port of Anchorage in late May and in June were trucked to Healy, where they were loaded onto railcars and transported to the Ferry rail siding/ramp for the final haul by truck up Ferry Road. Wind turbine blades (three per tower, for a total of 36) were manufactured in Little Rock, Arkansas, and transported by Union Pacific Railroad to Seattle, where they were rolled onto an Alaska Railroad rail barge headed for Whittier. The first blades arrived mid-June and ARRC trains are transporting the 149-foot blades from Anchorage to Healy, where shorter trains are shuttling blades and components to Ferry.

GVEA expects the wind project to be online by October 2012, generating 24 megawatts of electricity. Once wind farm construction is complete, ARRC will transport all of the equipment back out, keeping freight operations busy until mid-October. Thereafter, ARRC will support the site with delivery of fuel, parts and other consumable supplies over the life of the project. ●



*Tower sections unload at the port.
(Photo by David Blazejewski)*

FINANCIAL CHALLENGES ...

(continued from page 1)

that began this spring when the U.S. Senate passed legislation that would reduce ARRC's annual FTA formula funds from \$36 million to about \$6 million, representing a devastating \$30 million loss. FTA "formula funds" are disbursed to publicly-owned passenger rail operations that provide regularly-scheduled year-round public transportation services. The formula is based on passenger service miles. In April, the U.S. House voted to extend current legislation which would preserve FTA funding to ARRC at current levels.

"We are humbled by the support of hundreds of Alaskans who wrote letters, emailed messages and made phone calls on our behalf," said ARRC CEO Chris Aadnesen. Supporters included employees, customers, labor unions, trade and business groups, civic organizations, and elected officials from local, state and federal levels. "We owe a debt of gratitude to Congressman Don Young, who vowed to champion our cause as a member of the Conference Committee member. He delivered! Senators Mark Begich and Lisa Murkowski also made our case to Senate colleagues, so that the needs of the Alaska Railroad and so many other Alaska services could be met."

In the coming weeks, the Alaska Railroad will review the new federal transportation law to better understand revised formulas and rules. The estimated \$4-5 million annual reduction in federal funding will have a manageable impact, primarily on capital programs. The Alaska Railroad has had recent practice in belt-tightening, given the mid-April announcement by Flint Hills Resources that it would close another production tower at its North Pole refinery. Less fuel hauled by train translates to a \$5 million loss in ARRC revenues for 2012 and \$7 million in continued losses in 2013. The Alaska Railroad responded with operating and personnel reductions and deferred capital projects. Fifty-two positions are being eliminated, mostly by attrition and by leaving vacancies unfilled; although about 10 people will be laid off by the end of summer. ●

**FREIGHT
SHED NOW
93% FILLED**

On June 15, the U.S. Forest Service (USFS) moved into 27,000 square feet of newly renovated office space in the Historic Freight Shed. The USFS recently signed a 10-year lease with two 5-year options to extend. The move-in brings Freight Shed occupancy to 93%.

ARRC encourages food and beverage establishments to consider leasing the remaining 7% (2,600 sq ft) on the west end of the freight shed. With 110 USFS employees now working in the Ship Creek area, there is a larger base of potential customers. Call Leasing Manager Andy Donovan for details, (907) 265-2325. ●

PARTNERSHIP FOSTERS YOUTH INTEREST IN SCIENCE

Tanana River bridge / levee project engages Salcha students in environmental study

On May 11, the 91-student body of Salcha Elementary School arrived by school bus and quickly swarmed along the banks of Piledriver Slough, a small Salcha-area waterway running roughly parallel to the Tanana River. It looked like a fresh-aired field trip for antsy children near the end of the school year. But the outing plays a part in Phase One of the Northern Rail Extension (NRE) — building a bridge over the Tanana River and a levee to keep the river on course near Salcha.

The primarily groundwater-fed slough periodically fills with Tanana River flood waters. That won't happen once the levee closes the slough's mouth to the river. The Alaska Dept. of Fish & Game (ADFG) wants to monitor the levee's impact to fish in the slough. The impact boils down to beavers. These busy critters build dams along the slough. Seasonal flooding typically destroys some dams, facilitating water flow and presumably fish passage. ADFG wants to know if fish will still move upstream and spawn if dams are no longer broken up.

On May 11, the children were on their first assignment as part of an ADFG-blessed partnership between the Alaska Railroad, the Tanana Valley Watershed Association (TVWA) and Salcha School. The alliance formed to carry out a 10-



A Salcha School student takes notes on beaver dam observations.

year beaver dam mitigation measure noted by the NRE Environmental Impact Statement (EIS) and included in the ADFG permit required to proceed with levee construction.

For the next decade, at least twice a year, Salcha students will visit the slough after spring break-up and just before freeze-up to assess slough habitat, test water quality and to identify and count fish. TVWA will compile photos and data into reports to determine impacts, if any, over time. TVWA activity alone satisfies the ADFG permit conditions. Far exceeding permit requirements, the school's involvement is the brain child of ARRC's NRE Project Manager Mark Peterburs with enthusiastic support from school principal Annie Keep-Barnes, who values opportunities to foster interest in hands-on science. ●

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