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To: Hudson file

From: John Szeligowski

Subject: Phone Conversation
CPR - May 17, 2001

Date: May 18, 2001

On May 17, 2001 a phone conversation occurred between representatives of the Canadian Pacific Railroad and TAMS. The following participated in the call:

Ed Fitzgerald - CPR
Ralph Balfonte - CPR
Jennifer Higgins - TAMS
John Szeligowski - TAMS

The purpose of the conversation was to discuss several of the rail related remarks made by GE in their commentary on USEPA's Hudson River FS. CPR had previously received portions of GE's Appendices (B and C), from TAMS, wherein comments are provided on rail aspects of the proposed Hudson River remedy. CPR had also corresponded with GE's consultant; CPR does not feel at liberty to provide copies of that correspondence since it was generated for a potential rail customer.

The CPR representatives expressed concern that GE had mis-characterized information provided by the railroad to GE's consultant. Following is a summary of matters discussed during the phone conversation. Certain matters related to rail operations, but not discussed with the CPR representatives, are also addressed in this memo. *These matters are identified by italics.*

Rail Line Capacity

CPR had acquired the Delaware and Hudson rail assets with the intention of expanding service on the D&H corridor that services the upper Hudson valley. GE indicates, in their commentary, that there are 5 daily passenger trains and two freight trains that use the Ft. Edward to Albany line at this time. GE also states that passenger service occurs during daylight hours and freight is relegated to nighttime hours. GE further characterizes the CPR/Amtrak relationship as a sharing of the existing trackage. Generally, GE attempts to leave an impression that the Ft. Edward to Albany CPR corridor may have inadequate capacity to serve the project.

During our conversation, the CPR representatives rejected GE's assertions as follows:

- There are six passenger trains using the Ft. Edward/Albany corridor at this time. In addition, up to 14 freight trains (through and local) move through the corridor on a typical day. The freight movements occur during the day as well as at night. There is no nighttime "window" applicable to this corridor as is the case along the Hudson East corridor south of Albany. CPR believes that GE's consultant may be confusing the Hudson East rail situation (Amtrak and CSX) with that relevant to the Ft. Edward to Albany corridor (Amtrak and CPR). CPR owns the line between Ft. Edward and Albany (which extends northward to Canada and south westward to Binghamton). They do not share the line with Amtrak but lease its use to Amtrak as part of their overall business plan.

- Depending on details of the project, it is likely that activities at the NTF will generate one or at most two train loads of sediment each week. Initially this material would be hauled, on a daily basis, to the Ft. Edward Yard where cars would be attached to through freight trains or where cars could potentially be assembled into complete train loads, or, more likely, where blocks of cars would be assembled and hauled to the Saratoga Springs Yard for assembly into complete train loads. The CPR representatives mentioned several times that best shipping economics could be obtained if regular, complete train loads could be assembled at Saratoga (together with material processed at the STF).

- GE's central contention based on the facts as they present them, is that there may be inadequate capacity on the Ft. Edward/Albany corridor to handle disposal of dredged sediments. The CPR representatives categorically rejected this contention. The goal of CPR is to expand the use of this line and thereby increase its profitability; that is why it was purchased. GE's comments are of sufficient concern to the CPR that they plan to correspond with either TAMS or EPA to clarify this matter for the record. GE or their consultant completely mis-characterize the capacity and current use of the Ft. Edward/Albany corridor. In addition, contrary to GE's comments CPR has expended considerable resources improving conditions on the line and are now planning additional upgrades (including new sidings) to improve competitiveness.

Rail Line Safety

GE comments in Appendix C that there are 26 at-grade crossings between Saratoga and Ft. Edward. They further state that 19 have no electronic controls or signals and that this circumstance poses safety issues and has even dictated Amtrak's mode of operation along the line. During our conversation, CPR stated they believe the 19 uncontrolled crossings are all private roads (on farm property) and that all public road crossings in the corridor have either signals or controls. CPR plans to research this matter further.

Processing Site Rail Operations

The FS states that the NTF will load-out about 16 gondolas each day. GE states in Appendix C that a freight train would not be expected to move any fewer than 32 loaded cars and, therefore, the NTF would have to be capable of storing up to 32 rail cars. During our conversation with the CPR, their representatives dismissed GE's comments in this regard and stated that they would pick up the daily quota of 16 loaded cars and place 16 empty cars at the NTF. The 16 loaded cars would either be stored at Ft. Edward or hauled to Saratoga Springs to make-up a complete train set.

The FS does not identify on-site storage at the NTF for 32 loaded cars and 32 empty cars as suggested by GE's comments. Due to the proximity of the Ft. Edward Yard, the FS assumed that storage track would be provided at the NTF for up to 16 cars and that there would be daily pick-up and drop-off by the railroad from their Ft. Edward facility. GE also had a number of comments on the complexity of rail operations at the NTF based on the need to provide storage track for up to 64 cars. These comments are not relevant to the mode of operation wherein storage at Ft. Edward is used to support operations at the NTF (assuming Moreau is the NTF).

GE also comments (Appendix C; page II-3,4) that the railroad **would not** allocate, to the project, space for more than 90 cars at their Albany and Ft. Edward yards. The CPR representatives clarified the conversation they had with the GE consultants in this regard. They were asked how much storage would be needed to support the remedial operation. The answer was storage for about 90 cars at each location would be sufficient.

Spills and Contamination

GE comments that the railroad requires their customers clean the exterior of the car and wheels to avoid injuries to their employees. The CPR representatives stated that there was no such policy and were unaware of where GE obtained this information. TAMS mentioned that EPA may require the car exteriors to be cleaned (pneumatically or hydraulically). The CPR stated that this would be an individual customer preference and not a railroad requirement.

Turn Around Time

GE comments in different places in Appendices B and C that either four or six week turn around times will be experienced for the movement of TSCA materials to Texas. Apparently, the six week turn around was based on information provided by the Andrews, Texas landfill operator. The CPR representatives suggested that we could reasonably use a four week turn around and that this may be bettered if unit train loads were being handled. Turn around time impacts the number of gondolas that will be needed to run the project. GE appears to view a two week turn around as adequate for non-TSCA material which is being disposed at conventional landfills within 750 miles of the upper Hudson.

Number of Rail Cars

In Appendix C, GE comments that about 1,100 rail cars will be needed for disposal purposes and that an additional 200 for hauling backfill. In Appendix B (page 34) they state that 800 gondolas would be needed under the mechanical dredging scenario and 1,300 under the proposed hydraulic dredging scenario. They further comment that CPR has 3,000 gondolas on-hand and that dedicating this much rolling stock to the project would strain the railroads ability to serve other customers.

The CPR representatives stated that meeting the project's gondola requirements would be a major use of gondolas and burden the railroad. They also stated that the availability of cars depends on economic conditions at the time the equipment is needed. Currently, gondolas are not in demand and are instead being scrapped. It would be possible to lease gondolas for \$350 per month at this time.

During this conversation it appeared that the railroad was suggesting that the best strategy for the project would be to lease gondolas and not rely on railroad supplied equipment. It appears that CPR was in general agreement with GE's comment in this regard. Therefore, and not surprisingly, the contracting team can be expected to obtain rolling stock from various organizations that specialize in rail car leasing.

Shipping Costs

During the phone call, the question of shipping cost to Texas arose. Previously, the CPR had recommended using an all inclusive (including cars and covers) shipping rate to Texas of \$55 per ton in 100 ton gondolas (this was in mid-2000 dollars). During this conversation, the railroad representatives suggested that the single car costs could run as high as \$75/ton. This estimate was based in part on railroad supplied gondolas and reflected their recent experience with the Union Pacific on a similar shipment. If the project were to lease its own cars the shipping costs could drop to \$65/ton (it would be necessary to add about \$6/ton for car leasing based on 1000 gondolas at \$400/month/gondola). Another factor that contributes somewhat to the current cost of shipping is fuel (about 10%) which has risen considerably since the FS estimate. Also, the CPR estimates 95 tons per gondola and not 100 tons (this will be discussed further with the railroad). Finally, the CPR representatives stated that if unit trains could be assembled, shipping costs could drop to the mid-50s per ton.

The following was not part of the phone conversation: GE also comments (Appendix B; page 35) that should rail equipment be leased, then as much as \$33 million would be added to the shipping cost (about \$9/ton of TSCA plus non-TSCA disposed sediments). It is not evident in which of the following two ways the GE comment should be interpreted: (1) the \$33 million would apply only if leasing were required, or (2) the FS estimate did not include car costs

whether railroad supplied or leased. The \$55/ton of shipped material used in the FS estimate (mid-2000 dollars) was intended to be inclusive of car costs, for shipping to Texas, based on communications with the CPR last year (2000). CPR has stated that shipping costs to Texas are likely to be higher due to unexpectedly higher charges imposed by the Union Pacific and due to higher fuel costs. Since CPR would be strained to supply gondolas for the project, leasing cars would be expected to reduce shipping costs in relationship to those that would be applicable if the railroad supplied gondolas (from its currently limited supply).

In addition, our estimate for shipping non-TSCA materials to landfills were also inclusive of car leasing. The GE comment does not sufficiently distinguish between TSCA and non-TSCA shipping factors. Ultimately, costs will be established via a competitive bidding process and attempting to refine the numbers we currently have will not generate better information. There may be some validity to increasing our estimate for shipping TSCA material from \$55/ton to say \$60-\$65/ton. However, as the CPR has already suggested, rates may be lower if regular trainloads could be assembled and if rail cars were leased. Another mitigating factor is that leasing costs will be low when demand is low; when demand is high, the project will be able to lease its cars during the six month non-construction period and thereby off-set car expenses.

Processing Facility Siting

In their Appendix B comments (page 30), GE states that EPA has not resolved key processing facility siting issues such as size, infrastructure, rail transport, and community acceptance. Also, they state that information contained in the TAMS reconnaissance memo should have been included in the FS. Based on a reading of the memo they conclude that TAMS did not consult important resources as part of the transfer facility siting process.

Also, in appendix B (page 32) GE comments that the FS provides essentially no detail for the rail car loading and staging concept. In addition, they comment that no engineering analysis has been provided for the southern facility to demonstrate that the Port of Albany could handle the proposed operations. It is not clear how we should respond to these issues and those in the previous paragraph.

Shipping two commodities

We also requested CPR to comment on the complexities of dealing with two commodities (TSCA/non-TSCA materials) as per the GE comments (GE's consultant specifically discussed this matter with the railroad). CPR stated that this situation will complicate the management of railcars at their various yard facilities. It will result in considerable additional switching activity at the yards, particularly if the loads were coming in a random fashion. Active coordination between the in river work and the transportation element would be need to reduce the inefficiencies associated with the two commodities.

GE comments in Appendix B (page 35) that there will be a need to increase the number of gondolas leased if the output of TSCA and non-TSCA materials is not relatively uniform. This is due to the fact that there is an expected four week turn around for cars going to the TSCA landfill in Texas and only a two week turn around for cars going to non-TSCA landfills. GE may be technically correct in this regard; however, the number of cars needed will be influenced by various factors (e.g., three week versus four week turn around for Texas based on unit train loads) that will not be known until bids are received.