

**02/05/13
OVERVIEW:
ALASKA RAILROAD
AND PORT
MACKENZIE
PROJECT UPDATE**

<TARGET><BILL></BILL><SUBJECT>02-05-13 OVERVIEW ALASKA
RAILROAD AND PORT MACKENZIE PROJECT
UPDATE</SUBJECT><COMM>HTRA28</COMM></TARGET>

The Alaska Railroad Joint House and Senate Transportation Committee Briefing



Christopher Aadnesen
President & CEO

Bill O'Leary
VP Finance/CFO

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ARRC Corporate Information

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Alaska Railroad Quick Facts

Organization (following State purchase)

- Independent corporation owned by State
- Managed by a seven-member board of directors appointed by Governor
- Mandated to be self-sustaining, responsible for financial and legal obligations

Operating Data

- 656 Total miles of track
- 1,381 Freight cars (owned & leased)
- 45 Passenger cars
- 51 Locomotives

Operating Statistics (Jan - Dec 2012)

- 415,279 passengers
- 5.56 million tons of freight
- \$190.4 million total revenue (preliminary unaudited)

Employees (January 2013)

- 626 year-round employees
- 456 members of 5 unions



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Freight Services



Oilfield Supplies



Petroleum Products



Military



Coal



TOFC/COFC



Gravel



Intermodal

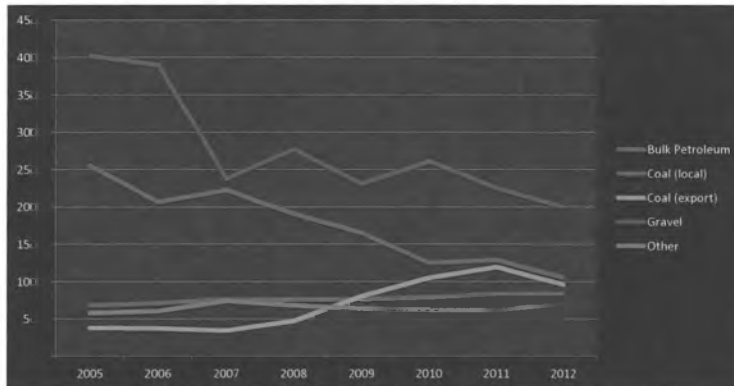


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Freight 2005-2012 (millions of tons)



Tons	2005	2006	2007	2008	2009	2010	2011	2012	% Chg 2011-12
in millions of tons									
Bulk Petroleum	2,555	2,068	2,230	1,910	1,657	1,254	1,292	1,057	-18.2%
Coal (local)	683	713	766	761	762	791	836	838	0.2%
Coal (export)	384	374	342	471	801	1,051	1,195	961	-19.6%
Gravel	4,024	3,900	2,377	2,776	2,306	2,614	2,252	2,003	-11.1%
Other	580	607	742	681	637	622	619	702	13.4%
TOTAL	8,226	7,662	6,457	6,599	6,163	6,332	6,194	5,461	-10.2%

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2012 Freight Facts

- 57,250 railcars moved 5.6 million tons
- Accounted for 67% of customer revenue
- Intermodal, Interstate, Interline and International
- Longest Rail-Haul in North America
 - Alaska Railroad from Seattle to Fairbanks
 - 1815 Miles
 - Interline service from Panama City, Florida to Fairbanks
 - 4842 Miles



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Intrastate Freight Within Alaska

- TOFC & COFC
- Scrap Metal
- Coal (Local & Export)
- Construction Materials
- Gravel
- Jet Fuel



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Interstate Freight Lower 48 to Alaska

Alaska Railbelt Marine



- Seattle – Whittier
- BNSF & Union Pacific
- 52 Voyages/Year
- 7 Day Transit
- 45 – 50 Railcar Capacity
- Railcar Tracking
- Safe, Reliable, Affordable Service

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International Freight Canada to Alaska

Canadian National Railroad



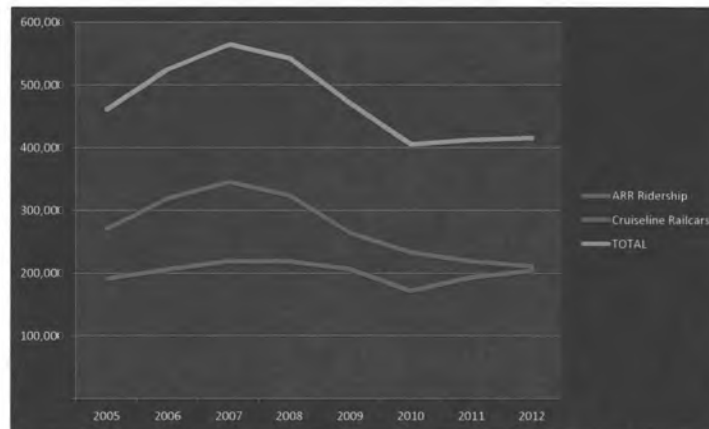
- Prince Rupert – Whittier
- 30+ Voyages/Year
- 4 Day Transit
- 45 – 50 Railcar Capacity

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Passengers 2005-2012



Passengers	2005	2006	2007	2008	2009	2010	2011	2012	% Chg 2011-12
ARR Ridership	190,963	205,924	219,370	218,833	206,410	171,975	193,293	204,120	5.6%
Cruiseline Railcars	270,155	319,369	345,430	323,838	264,376	233,160	218,916	211,159	-3.5%
TOTAL	461,118	525,293	564,800	542,671	470,786	405,135	412,209	415,279	0.7%

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Regularly Scheduled Year-Round Passenger Service

- Full summer schedule of ARR trains and support to cruise lines
- Hurricane Turn and Aurora winter train
 - Flag stop service
 - Provides critical access for Alaska residents living and playing where there are no roads
- Provides eligibility for federal formula funds



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Real Estate

- Property Development
- Leases and Permits
- Dockage and Wharfage
- Facilities Maintenance and Management
- Approximately 36,000 acres



Clockwise from bottom left: Fairbanks depot; Ship Creek basin includes highly valuable leasable land; upland from the Seward freight dock is being developed

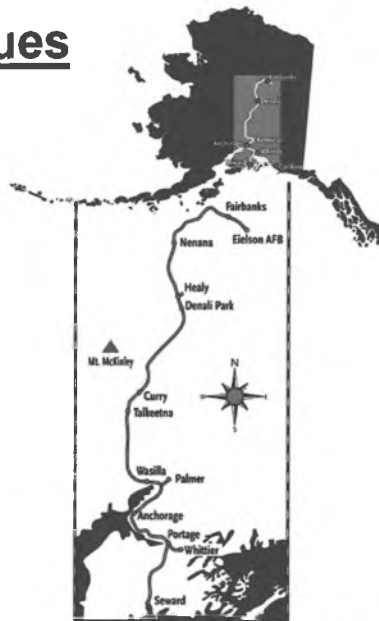
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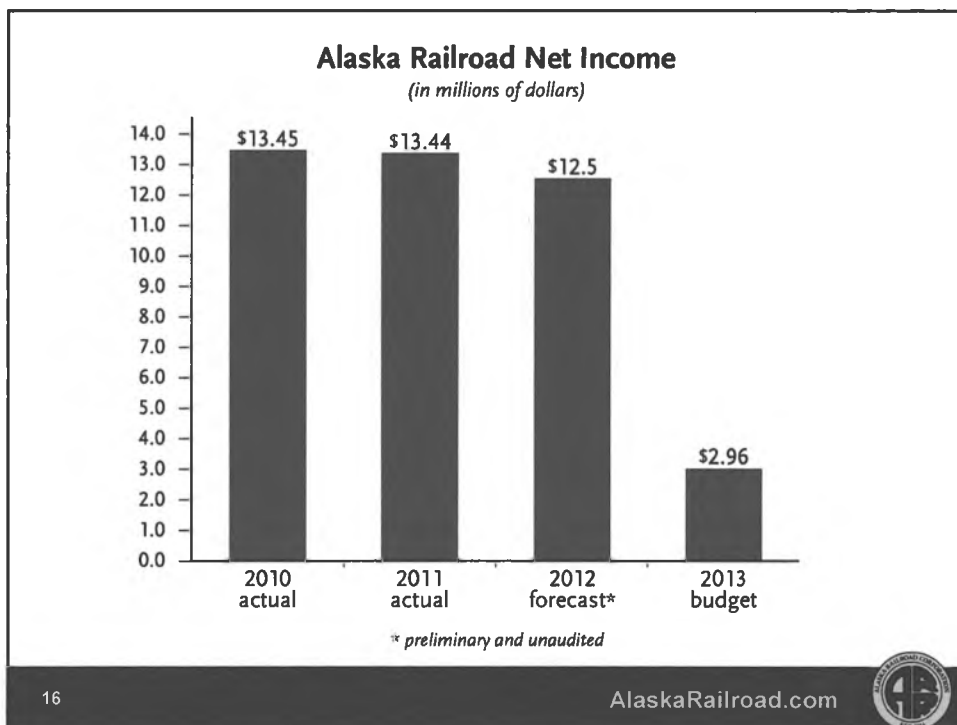
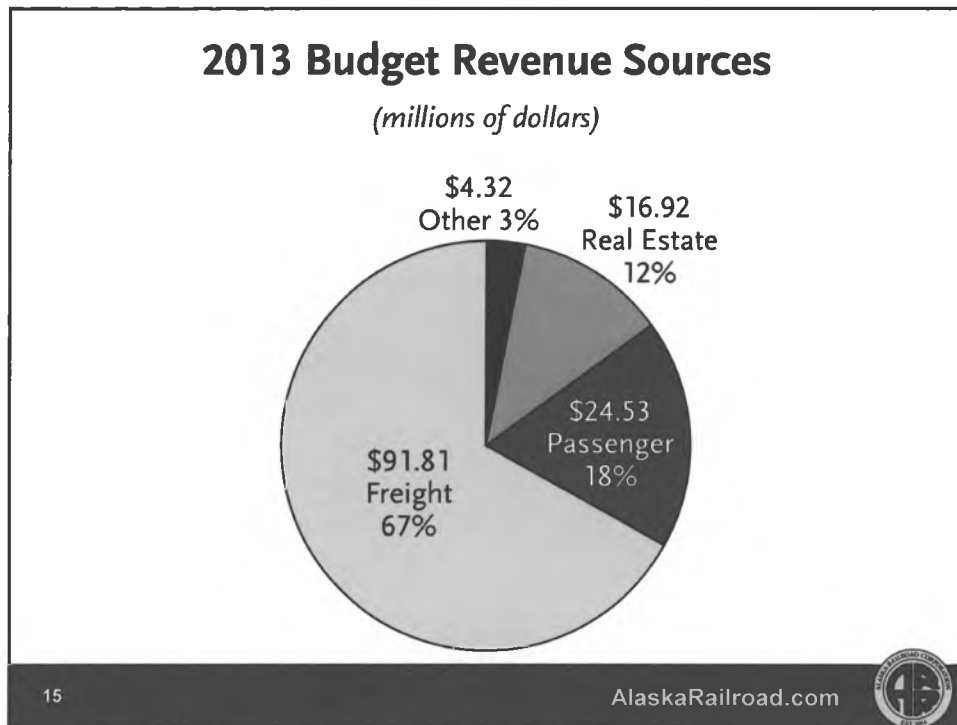
State Issues

- **State Rail Plan**
 - In process, completed in 2013
 - First since transfer to state
- **Transportation Infrastructure Fund**
 - If created ARRC would like to be included
- **95-Year Lease**
 - Developers appreciate it as a tool
 - No requests yet.



ARRC Financial Situation





Financial “Perfect Storm” Brewing

- **Markedly reduced commercial activity forecast for key business lines in 2013 and beyond**
 - Petroleum – North Pole Refinery reduced from three to one crude processing tower; reduced demand at ANC and increased import of foreign jet fuel
 - 2013 Petroleum gallons reduced 68% from peak of ten years ago
 - Export coal – depressed world market for coal impacting demand and price
 - Planned 2013 tonnage less than half that moved in 2011
 - ARRC 2013 freight revenue budget \$12 million lower than 2012 actual

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Financial “Perfect Storm” Brewing

- **Capital budget negatively impacted by federal formula funds reduction**
 - MAP-21 federal transportation reauthorization cut \$9 million/year from ARRC formula funds allocation
 - 2013 capital budget less than half of 2012
- **Positive Train Control**
 - \$145 million unfunded federal mandate crippling blow
 - Average \$18 million/year need between 2014 – 2018 to comply with federal law

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ARRC Capital Sources and Uses

	ARRC Board-Approved 5 Year Plan				Extrapolated	Total
	2014	2015	2016	2017	2018	
ARRC Capital Funding Available						
Federal	8,435,042	8,703,842	8,965,897	9,246,495	9,246,495	44,597,771
Internal	17,880,000	18,970,000	19,300,000	19,690,000	19,690,000	95,530,000
	<u>26,315,042</u>	<u>27,673,842</u>	<u>28,265,897</u>	<u>28,936,495</u>	<u>28,936,495</u>	<u>140,127,771</u>
ARRC baseline capital needs	30,874,538	30,604,200	31,413,900	32,170,900	32,170,900	157,234,438
Shortfall	<u>4,559,496</u>	<u>2,930,358</u>	<u>3,148,003</u>	<u>3,234,405</u>	<u>3,234,405</u>	<u>17,106,667</u>

Assumes FTA formula funds continue (baseline of \$28.7 million in 2013 vs. \$27 million to be actually received). Assumes achieving a 1.0 operating ratio in 2014 and improving upon that for the next three years.



ARRC Response

- In concert with ARRC Board, management undertaking restructuring effort currently
 - Restructuring/reorganization plan being developed
 - Position reductions, department consolidations, asset utilization, employee benefits and other areas being acted upon
 - Designing ARRC for an uncertain future
- Meeting with ARRC Board at end of February
- Significant cost structure reduction achievable, but still will not address unfunded PTC mandate satisfactorily



Positive Train Control

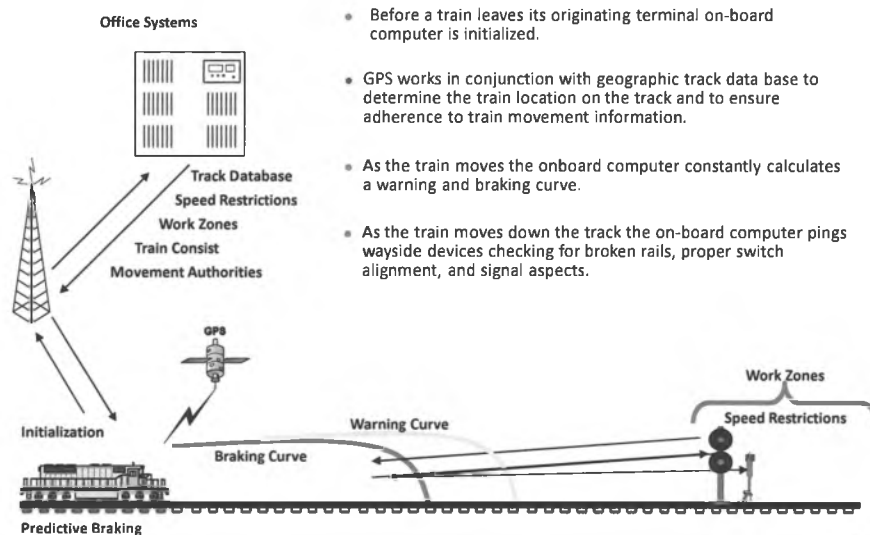
- **Unfunded federal mandate**
 - Federal law requires technology system to prevent:
 - Train to train collisions
 - Overspeed derailments
 - Incursion into established work zone limits
 - Train movement through a main line switch in the improper position
 - Unattainable deadline Dec. 2015
 - ARRC investment through Dec. 2012: **\$55 million**
 - Would prohibit passenger service if not implemented

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How Does PTC Work?



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2014 – 2018 PTC Funding Need

	2014	2015	2016	2017	2018	Total
Office and Locomotive Base System	\$ 12,840,389	\$ 12,321,302	\$ 7,317,322	\$ 6,056,240	\$ 5,056,240	\$43,591,493
On-board Loco TMC and Install	\$ 4,206,123	\$ 4,210,540	\$ 500,000	\$ 1,000,000		\$ 9,916,663
MCC Radios and license	\$ 1,197,066	\$ 1,260,000				\$ 2,457,066
Comm Backbone infrastructure	\$ 650,000	\$ 1,450,000	\$ 1,100,000	\$ 1,000,000	\$ 1,000,000	\$ 5,200,000
Wabtec Phase II	\$ 2,373,000	\$ 1,120,000	\$ 1,350,000	\$ 1,050,000	\$ 1,050,000	\$ 6,943,000
Project Management/System integration	\$ 2,024,200	\$ 880,762	\$ 1,427,322	\$ 1,306,240	\$ 1,306,240	\$ 6,944,764
Safety Plan Development	\$ 1,650,000	\$ 2,840,000	\$ 1,100,000	\$ 800,000	\$ 900,000	\$ 7,490,000
Functional Testing (includes procedures)	\$ 740,000	\$ 460,000	\$ 300,000	\$ 300,000	\$ 300,000	\$ 2,100,000
MOW Portable Terminals			\$ 1,540,000	\$ 500,000	\$ 500,000	\$ 2,540,000
Wayside Monitoring	\$ 2,091,609	\$ 7,744,550	\$ 9,792,281	\$ 13,532,839	\$12,056,734	\$45,218,013
PTC upgrades in CTC	\$ 1,971,609	\$ 1,500,000				\$ 3,471,609
Pittman to Kashwitna CTC/PTC		\$ 3,354,950	\$ 3,714,443			\$ 7,069,393
Dark Territory Manual Switch Monitoring	\$ 120,000	\$ 2,889,600	\$ 6,077,839	\$ 13,532,839	\$12,056,734	\$34,677,011
Total	\$ 14,931,998	\$ 20,065,852	\$ 17,109,603	\$ 19,589,079	\$17,112,974	\$88,809,506



What if ARRC Does Not Comply?

Federal law provides penalties for non-compliance:

- Federal Railroad Administration (FRA) has authority to fine 61 different PTC-related violations.
- Fines begin for activities 90 days after regulations were final in 2010.
- Maximum FRA fine for failure to complete PTC installation by December 31, 2015, is \$16,000 per violation and \$25,000 for each "willful" violation. A separate violation is issued for each day the violation occurs.
- FRA rail safety law compliance pertains to "persons" so both the corporation and individuals are on the hook.

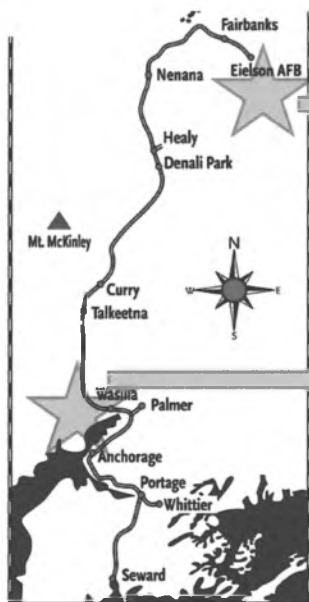




ARRC Project News

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Northern Rail Extension

Phase 1 - Tanana River Crossing

Port MacKenzie Rail Extension

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Northern Rail Extension



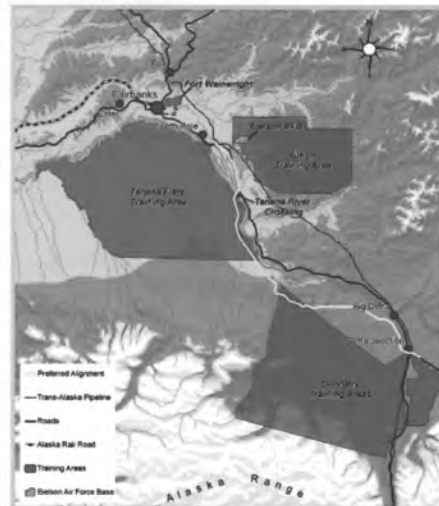
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Northern Rail Extension 4 Phase Project

- 80+ miles of rail from North Pole to Delta Junction
 - Phase 1 : Bridge over Tanana River, approach road and levee near Salcha
 - Phase 2 : 13 miles of rail from Moose Creek / Eielson AFB to Tanana River Crossing
 - Phase 3 : 30 miles of rail from Tanana River Crossing to Donnelly Training Area
 - Phase 4 : 38 miles of rail from Donnelly Training Area to Delta Junction



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Northern Rail Extension Project Benefits

- Commercial freight and passenger service supporting communities
- Transportation alternative to Richardson Highway
- Connects military at JBER, Wainwright, Eielson, Clear and Delta Junction by rail to each other and to 3 Alaska ports
- Support regional tourism
- Economic and Resource Development Potential
- Future Canadian Connection?



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Phase 1 – Tanana River Crossing

- Longest bridge in Alaska
 - 3300 Feet
- Levee to direct river flow
- \$188.2 million total cost
 - \$84.0 million State of Alaska
 - \$104.2 million Department of Defense
- Provide US Military with year round vehicle access to Joint Pacific Area Range Complex



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Phase 1 – Tanana River Crossing

- Kiewit Infrastructure West Co.
 - Construction Management – General Contractor
- Outreach & Community Support
 - Regular Community Open Houses
 - Quarterly Legislative Updates
 - Piledriver Slough monitoring
 - Senior Center Support
 - Firewood
- 3rd Party Overview
 - 3 member project overview committee
 - Industry experts
 - Quarterly reviews and updates to Board of Directors



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Phase 1 – Tanana River Crossing

- Keeping Alaskans Working
 - 70% Alaskan Hire on Project (2012 3rd Qtr. 86 out of 123)
 - Alaskan Companies Providing Services
- | | |
|--|--|
| <ul style="list-style-type: none"> • Rolling Stone Construction • Alaska Quality Insulators • Statewide Clearing, Inc. • Dimond Electric • Alaska Drilling • JD Steel • HC Redimix • Code 3 Logistics • Bighorn Enterprises • Arctic Surveys Company • Alaska Industrial • Brown's Hill Quarry | <ul style="list-style-type: none"> • HansonAlaska • Shannon & Wilson • PDC, Inc. • MAPPA • Northstar Terminal and Stevedore • Maynard's Mill & Small Buildings • HDRAlaska • Warwick Surveying • Carlile Transportation • Accupoint, Inc. • Brice, Inc. |
|--|--|

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Phase 1 – Tanana River Crossing

■ Current Status

- Causeway
 - Nearly complete. Will have to be removed and rebuilt.
- Bridge
 - 56 Girders arrived in Valdez on Oct 25. Trucking to bridge site late Nov.
 - 4 of 19 piers complete. 5 in process
 - Crews working 20 hours/day 6 days/week.



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Phase 1 – Tanana River Crossing

■ Next Steps

- Pile driving and pier building to continue through 2013
- Continued bank protection and stabilization in Summer 2013
- Phase 1 Complete July 2014



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Port MacKenzie Rail Extension

- 32 mile rail extension
 - Houston to Port MacKenzie
 - ARRC serving as program manager to Mat-Su Borough
- All funding from State of Alaska
- Will be 4th Alaskan Port served by Alaska Railroad



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Port MacKenzie Rail Extension 1 mile – 100 railcar industrial loop



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The Canada Connection

- Alberta Tar Sands oil on trains to Delta Junction
- Generating for Seven Generations (G7G)
 - Vancouver Based Consortium
 - Looking for \$40 million to fund study
- 1,500 miles of track
 - Fort MacMurray, B.C. to Delta Junction, AK.
 - Single Track \$8.4 billion, 1.5 million barrels/day
 - Double Track \$10.4 billion, 5 million barrels/day

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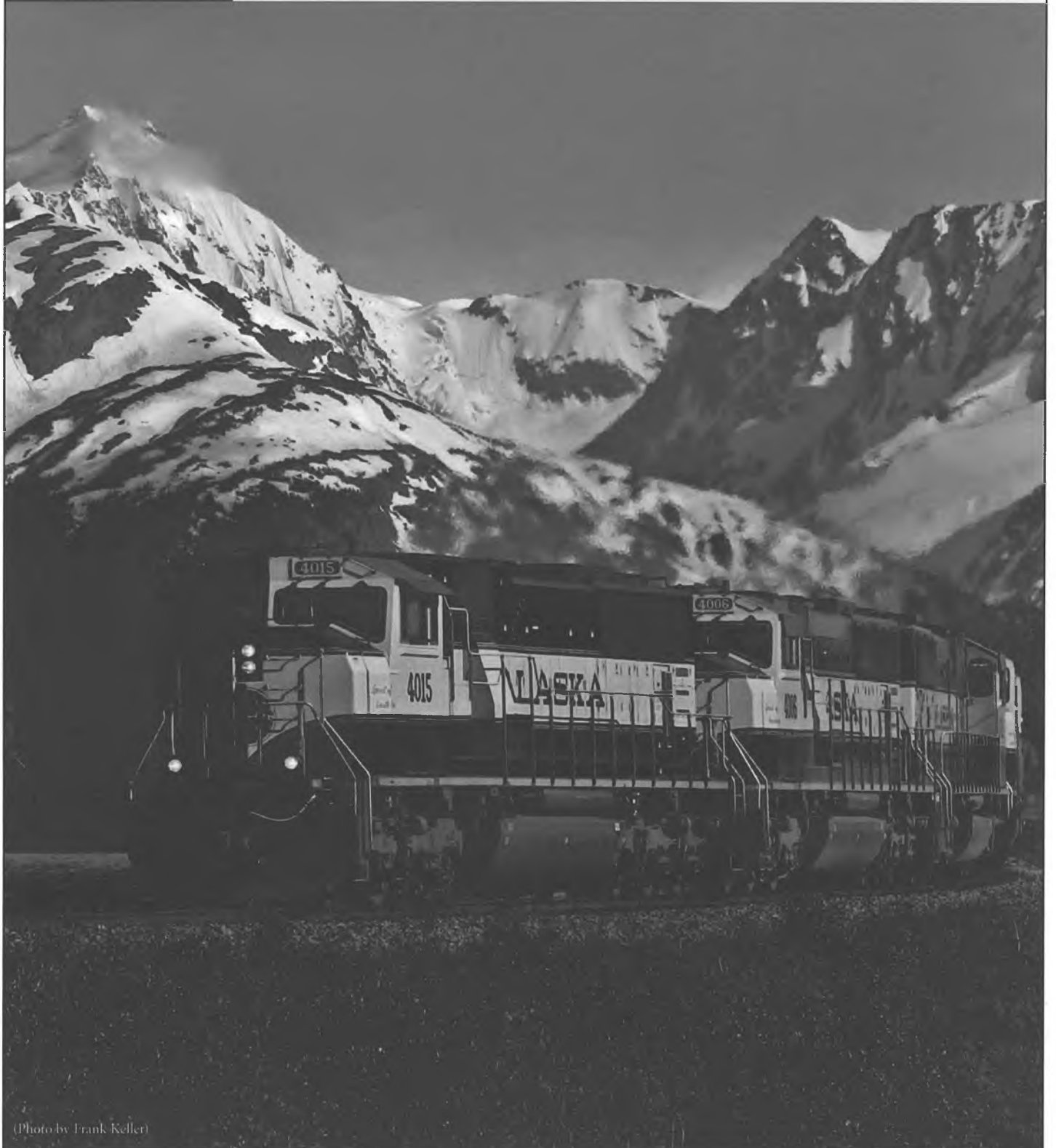
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2013 Alaska Railroad Corporation
Report TO THE **State**



(Photo by Frank Keller)

Board of Directors

Chair Linda Leary



Susan Bell



John Binkley



Jack Burton



Jon Cook



Pat Kemp



Bill Sheffield



Strategic

Leadership's Outlook

In accordance with state law (Alaska Statute 42.40.290), the Alaska Railroad Corporation (ARRC) annually adopts a long-range capital improvement plan and shares this with the governor and legislature. This report presents our 5-year outlook for capital investment and operations, 2013-2017.

Capital and operating plans are driven by our mission, as defined in the Alaska Railroad Transfer Act (U.S. Code) and the Alaska Railroad Corporation Act (Alaska Statute). ARRC's two-fold purpose is to:

- 1 provide safe, profitable, high-quality services to freight, passenger and real estate customers; and
- 2 to foster Alaska's economic development.

In recent history, the Alaska Railroad has been fortunate to report robust capital programs that stem from healthy operations and federal grants that have enabled modernization of an otherwise aging infrastructure. This year is different. Unforeseen and sizeable declines in two major business lines, a serious and ongoing threat to federal capital grants, coupled with an extensive unfunded federal regulatory mandate have created challenges ahead.

Ironically, the year 2012 began with promise for business line growth and capital investment. But by the end of the first quarter, sobering financial challenges began to unfold, dramatically changing the outlook for 2012 and several years beyond.

The North Pole Refinery closed the second of its three crude petroleum processing towers in July 2012, effectively cutting our fuel-hauling business to its lowest volume in two decades. For 2013, we anticipate an additional 10% reduction in the petroleum business line. During the last half of 2012, we also learned the global coal market had weakened considerably. The coal mine in Healy now forecasts at least a 30% drop from 2012 export coal shipping levels. Together, these reductions equate to about a \$10 million drop in revenue for 2013, compared to 2011.

Severe revenue reductions figure into a 2013 budget that indicates a \$5.1 million loss from train operations. Thanks in large part to railroad real estate revenues and FTA grant funds, net income for 2013 is budgeted to be \$3 million. This compares to a forecasted \$11.1 million net income for 2012 and over \$13 million actual net income for 2011. Railroad "net income" is used to fund major capital repairs and replacements for both train operation activities and to improve infrastructure for our real estate customers.

The 2013 capital budget is profoundly impacted not only by grim operating numbers, but also the status of federal grants that have traditionally enabled the railroad to modernize aging infrastructure over the past decade. The federal MAP 21 Transportation Reauthorization Law that passed in mid-2012 projected to reduce ARRC's Federal Transit Administration (FTA) formula funding from \$36 million a year to \$31 million. In October 2012, we learned that a technical error in MAP 21 could further reduce FTA funding to \$27 million for 2013. Alaska's congressional delegation is working to

AND OPERATING STATISTICS

Operating Assets and Infrastructure

- Miles of main line: 467
- Miles of branch line: 54
- Miles of yards and sidings: 135
- Total miles of track: 656
- Freight cars (owned/leased)*: 1,219
- Passenger cars: 45
- Locomotives: 51

* 928 revenue cars and 291 maintenance cars; not including 311 tanker cars owned by Flint Hills Resources

2012 Train Service Activity

- 2012 Ridership**: 414,700 passengers
- 2012 Freight tonnage**: 5.7 million tons

** January 1 - Dec. 31, 2012, Projected



(Photo by Judy Patrick)



(Photo by Judy Patrick)

Employees (November 2012)

- Year-round employees: 685
- Additional seasonal employees: -100
- Average years of service: 12.4
- Average age: 46.2
- Male: 571
- Female: 114
- Percentage of Alaska Hire: 92%

A majority of employees are members of five unions:

- United Transportation Union: 127
- Transportation Communication Union: 45
- International Brotherhood of Teamsters Local 959: 66
- American Federation of Gov't Employees: 262
- American Train Dispatchers Department: 10



(Photo by David Blazewski)

FIVE-YEAR CAPITAL PLAN: FEDERAL FUNDING

Federal Transit Administration (FTA) Formula Funds

	2013	2014	2015	2016	2017	5-Yr Total
Total FTA Formula Funds (including 20% match)	\$ 35,875,000	\$ 35,875,000	\$ 36,233,750	\$ 36,596,088	\$ 36,962,048	\$ 181,541,886
Less Programmed Items (PI):						
Preventive Maintenance	10,437,234	10,541,620	10,647,036	10,753,506	10,861,041	53,240,438
2007 Bond Principal & Interest	9,180,362	9,140,152	9,139,078	9,136,906	9,118,638	45,715,136
2006 Bond Principal & Interest	7,519,254	7,503,586	7,486,648	7,480,060	7,473,560	37,463,108
Transit Security	127,300	127,300	128,573	129,859	131,157	644,189
Transit Enhancement	127,300	127,300	128,573	129,859	131,157	644,189
Total Programmed Items (PI)	27,391,450	27,439,958	27,529,908	27,630,190	27,715,553	137,707,060
FTA Funds Available for Projects	\$ 8,483,550	\$ 8,435,042	\$ 8,703,842	\$ 8,965,897	\$ 9,246,495	\$ 43,834,826
Projects Funded by FTA Funds:						
Positive Train Control	5,078,400	5,000,000	5,000,000	5,000,000	5,000,000	25,078,400
Track Rehab Program	3,405,150	3,435,042	3,703,842	3,965,897	4,246,495	18,756,426
Total FTA Grant Projects (net PI)	\$ 8,483,550	\$ 8,435,042	\$ 8,703,842	\$ 8,965,897	\$ 9,246,495	\$ 43,834,826

Other Federal - Federal Highway Administration (FHWA), Department of Homeland Security (DHS)

Positive Train Control (FHWA)	\$ 2,500,000	\$ —	\$ —	\$ —	\$ —	\$ 2,500,000
Port Security Grant (DHS)	80,400	—	—	—	—	80,400
Total Other Federal Funds	\$ 2,580,400	\$ —	\$ —	\$ —	\$ —	\$ 2,580,400

Total Federal-Funded (net PI*)	\$11,063,950	\$ 8,435,042	\$ 8,703,842	\$ 8,965,897	\$ 9,246,495	\$ 46,415,226
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* Federal grant money minus funds allocated to Programmed Items (see above). This net amount equates to federal funds available for capital projects.



(Photos by Judy Patrick)

Replacing decades-old wooden ties is a critical component to the railroad's capital Track Rehabilitation efforts. Inset: Positive Train Control is a complex technology-based capital project aimed at eliminating train collisions and incidents caused by human error.

FIVE-YEAR CAPITAL PLAN: INTERNAL FUNDING

Non-discretionary Projects	2013	2014	2015	2016	2017	5-Yr Total
Bridge Program	\$ 4,900,000	\$ 3,000,000	\$ 3,000,000	\$ 3,000,000	\$ 3,000,000	\$ 16,900,000
Track Rehabilitation Program	1,454,850	9,944,958	12,136,158	13,284,103	13,003,505	49,823,574
Equipment Program	587,000	1,413,638	1,132,000	1,930,000	2,025,000	7,087,638
Passenger Equipment Rehab	550,000	528,000	512,000	500,000	500,000	2,590,000
Vehicle Program	323,000	840,000	950,000	990,000	1,035,000	4,138,000
Equipment Rebuild Program	90,000	500,000	500,000	500,000	500,000	2,090,000
Whittier Barge Slip Sewer Line Replace	20,000	—	—	—	—	20,000
Positive Train Control	—	9,948,383	13,065,852	6,355,789	7,887,686	37,257,710
Portage Section Facility	—	1,000,000	—	—	—	1,000,000
Total Nondiscretionary Projects	\$ 7,924,850	\$ 27,174,979	\$ 31,296,010	\$ 26,559,892	\$ 27,951,191	\$120,906,922
Continuing Programs						
Capital Locomotive Overhaul/PM	\$ 807,000	\$ 1,880,000	\$ 1,920,000	\$ 1,967,000	\$ 2,284,000	\$ 8,858,000
Dock & Slip Maintenance & Repairs	800,000	2,357,500	1,907,500	1,307,500	2,082,500	8,455,000
Rip Rap / Drainage / Avalanche	350,000	940,000	685,000	650,000	450,000	3,075,000
Seward Coal Loading Facility Upgrades	350,000	750,000	750,000	750,000	750,000	3,350,000
Healy Canyon Stabilization	250,000	500,000	750,000	750,000	750,000	3,000,000
191 Heavy Maintenance	200,000	215,000	215,000	—	—	630,000
Corporate-wide Network Services	200,000	500,000	500,000	500,000	500,000	2,200,000
SD70MAC 4300 Fire Screen Upgrade	180,000	—	—	—	—	180,000
Crossing Signal Event Recorders	150,000	310,000	310,000	—	—	770,000
Premises Equipment Refresh (Telecom)	143,000	140,000	—	—	—	283,000
Locomotive Truck Overhaul	120,000	180,000	180,000	180,000	180,000	840,000
Defect Detector Upgrades	90,000	258,400	258,400	258,400	258,400	1,123,600
Comm Site Battery Plant Replacements	90,000	80,000	80,000	80,000	80,000	410,000
Facility Energy Conservation	55,000	90,000	90,000	90,000	90,000	415,000
Tenant Improvements	40,000	50,000	50,000	50,000	50,000	240,000
Land and Utilities Improvements	40,000	75,000	75,000	75,000	75,000	340,000
Section Improvements	40,000	50,000	50,000	50,000	50,000	240,000
General Facility Repair	30,000	50,000	50,000	50,000	50,000	230,000
Trespass Mitigation	25,000	25,000	25,000	25,000	25,000	125,000
Access Plates for ASCTD	21,000	22,200	—	—	—	43,200
Facility Roofing Upgrades	—	375,000	350,000	275,000	—	1,000,000
Records Management Vital Records	—	469,000	21,600	—	—	490,600
Electrical Upgrades	—	165,000	100,000	100,000	100,000	465,000
Building Maintenance	—	50,000	50,000	50,000	50,000	200,000
Copier Fleet Replacement	—	30,800	68,200	—	—	99,000
Purchase End-of-Train Devices	—	—	—	36,000	36,000	72,000
Total Continuing Programs	\$ 3,981,000	\$ 9,562,900	\$ 8,485,700	\$ 7,243,900	\$ 7,860,900	\$ 37,134,400
Strategic Business Initiatives						
SD70MAC A/C Traction Pinion Puller	\$ 45,000	\$ —	\$ —	\$ —	\$ —	\$ 45,000
Crew Management & Timekeeping	—	500,000	—	—	—	500,000
Legacy Systems Conversions	—	150,000	184,500	—	—	334,500
Total Strategic Business Initiatives	\$ 45,000	\$ 650,000	\$ 184,500	\$ —	\$ —	\$ 879,500
Ranked Discretionary Projects						
Post Road Sewer Construction - Phase 4	415,000	\$ —	\$ —	\$ —	\$ —	\$ 415,000
Seward Pavement Replacement	40,000	—	—	—	—	40,000
Other Ranked Projects	—	—	—	—	—	—
Funds Available for Ranked Projects	\$ 455,000	\$ —	\$ —	\$ —	\$ —	\$ 455,000
Total Internal Capital Requests	\$ 12,405,850	\$ 37,387,879	\$ 39,966,210	\$ 33,803,792	\$ 35,812,091	\$ 159,375,822
Est. Funds from Internal Cash Flow	12,405,850	17,880,000	18,970,000	19,300,000	19,690,000	88,245,850
Funding Shortfall	\$ —	\$ 19,507,879	\$ 20,996,210	\$ 14,503,792	\$ 16,122,091	\$ 71,129,972
Debt-Financed Project						
Freight Car Replacement Program	\$ —	\$ 3,500,000	\$ —	\$ —	\$ —	\$ 3,500,000
Total Internal & Debt	\$ 12,405,850	\$ 40,887,879	\$ 39,966,210	\$ 33,803,792	\$ 35,812,091	\$162,875,822
Total Federal (net PI*)	\$ 11,063,950	\$ 8,435,042	\$ 8,703,842	\$ 8,965,897	\$ 9,246,495	\$ 46,415,226
Total Capital Requests	\$ 23,469,800	\$ 49,322,921	\$ 48,670,052	\$ 42,769,689	\$ 45,058,586	\$ 209,291,048

* Federal grant money minus funds allocated to Programmed Items (see previous page). This net amount equates to federal funds available for capital projects.

ARRC

CAPITAL PROGRAM INFO

More detailed information about the Alaska Railroad's capital improvement program — including capital project fact sheets — is available on the Alaska Railroad's web site.



ALASKARAILROAD.COM

Contact and Connections

Alaska Railroad Corporation

P.O. Box 107500 • Anchorage, AK 99510-7500

327 W. Ship Creek Avenue • Anchorage, AK 99501

(907) 265-2300

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(Photo by Judy Patrick)

Limited capital funding in 2013 will be focused in part on critical track repair and rehabilitation work.

(Photo by Judy Patrick)

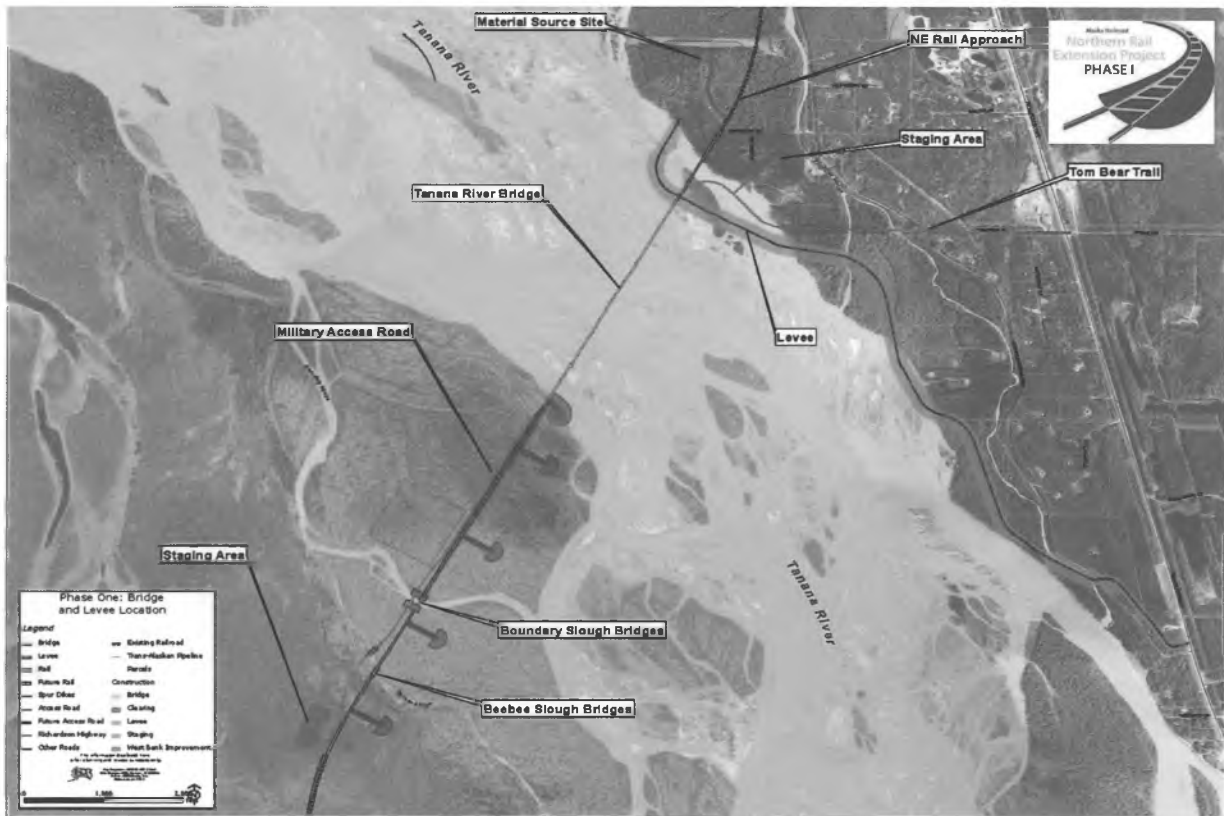


Progress continues on the Northern Rail Extension Phase One — a Tanana River bridge and levee near Salcha. The \$188 million required for this first phase is fully funded. Above, construction on a temporary causeway in summer 2012 will allow pier installation across the river.



Northern Rail Extension Phase 1

Tanana River Bridge Quarterly Progress Report January 15, 2013



This report covers the period:
October 1, 2012 through December 31, 2012

www.northernrailextension.com

Northern Rail Extension Phase 1

Project Summary

The Northern Rail Extension (NRE) project proposes to construct and operate an approximately 80-mile-long rail extension from Fairbanks to Delta Junction. The NRE project will begin at the existing rail line located on the Eielson Branch line at the Chena Overflow Bridge just south of the community of North Pole and be extended to the community of Delta Junction, with the ability to service Fort Greely.

The project phases are as listed:

- **Phase 1: Bridge, approach road, and levee associated with the crossing of the Tanana River near Salcha. (Current Phase)**
- Phase 2: Approximately 13 miles of rail from Fairbanks to the Tanana River crossing.
- Phase 3: Approximately 30 miles of rail from the west side of the Tanana River crossing to the Tanana Flats Training Area,
- Phase 4: Approximately 38 miles of rail between the Tanana Flats Training Area and Delta Junction.

Current Status

Rip Rap deliveries ended in early November. Approximately 250,000 tons have been delivered and placed. 180,000 tons remain for delivery in 2013.

Fourth quarter of 2012 saw completion of Piers 2, 3, 4, 8, 9, 11 and 17. These piers are all wrapped in blankets and plastic for the winter. Piers 16, 15, 7, and 6 are staged for concrete placement and completion in February, March and April prior to break up. Additional piers may be started based on weather conditions at the time. The contractor will fall short of their goal of completing 14 piers prior to break up. However, with the early delivery of the bridge girders the project is still tracking on schedule.

The 165' girder deliveries from Valdez to the site began in November. 14 of 80 girders have been delivered to the site. 32 are scheduled to be on site by February 1st with the balance expected prior to weight restrictions, around June 1st. The bridge has 20 spans, consisting of 4 girders for each span. Earlier than scheduled delivery of girders will allow the contractor to loft several girder spans prior to break up. This will allow the contractor to build less river access than originally planned for the 2013/2014 construction season

Northern Rail Extension Phase 1



Next Quarter Outlook

First quarter of 2013 activities will include:

- Continued girder deliveries to the site from Valdez.
- Balance of girders delivered to Valdez from the fabrication shop.
- Completion of piers 6, 7, 15, and 16 by the end of March.
- Lofting of some girder spans onto completed piers.

Northern Rail Extension Phase 1

Safety

7 Incidents this Quarter

90 Injury Free Days

10 Total incidents to date

Alaska Work Force (this quarter)

123 Total Manpower on Site

86 Alaskan Manpower on Site

70% Alaskans employed on-site this Quarter

Alaskan Companies providing services:

Construction

- | | |
|---|------------|
| • Rolling Stone Construction: Gravel | Salcha |
| • Alaska Quality Insulators: Office Set up | North Pole |
| • Brice Inc: Rip Rap | Fairbanks |
| • Alaska Industrial: Trucking | Fairbanks |
| • Northstar Terminal and Stevedore: Crane | Valdez |
| • Brown's Hill Quarry, Rip Rap | North Pole |
| • JD Steel: Ironwork-Rebar | Salcha |
| • HC Redimix: Concrete | North Pole |
| • Code 3 Logistics: On-Site Trucking | North Pole |
| • Bighorn Enterprises: Trucking | Fairbanks |
| • Arctic Surveys Company: Survey | Fairbanks |
| • Warwick Surveying: Survey | Anchorage |
| • Carlile: Trucking | Anchorage |

Engineering

- | | |
|---|-----------|
| • HDR Alaska: Contract Management/Engineering | Anchorage |
| • Hanson Alaska: Bridge Engineering | Anchorage |
| • Shannon and Wilson: Geotechnical Engineering | Fairbanks |
| • PDC Inc: Survey | Fairbanks |
| • MAPPA Testing Services | Fairbanks |

Northern Rail Extension Phase 1

Public Outreach

- On site open House held December 8th for the local community. Holiday turkeys were distributed. Principal of Salcha elementary provided a presentation of the school's participation in the project required Pile Driver Slough monitoring experience.

Funding

	Spent FRA	Remaining FRA	Spent State Funds	Remaining State Funds	Total
Engineering, Design, Permitting	\$ 13,547,597	\$ -	\$ 821,562	\$ 3,130,841	\$ 17,500,000
Right-of-Way	\$ 635,384	\$ -	\$ 213,361	\$ -	\$ 848,745
Construction Administration	\$ 3,671,425	\$ -	\$ 2,605,670	\$ 4,987,521	\$ 11,264,616
ARRC Contingency	\$ -	\$ -	\$ -	\$ 5,061,813	\$ 5,061,813
Construction Contract	\$ 52,373,840	\$ 33,971,754	\$ 1,424,435	\$ 65,754,797	\$ 153,524,826
Total	\$ 70,228,246	\$ 33,971,754	\$ 3,911,477	\$ 78,934,972	\$ 188,200,000

Schedule

Original Estimated Schedule completion Date:

August 2014

Current Estimated Schedule completion Date

August 2014

Project Milestones

Major Project Milestones		
	Date	Status
Final Design and Permits	July-11	Complete
Construction Contract	July-11	Complete
Office Complex & Staging Area	November-11	Complete
Utility Relocation	November-11	Complete
North Bank Levee	July-12	Complete
South Bank Spur Dikes	September-13	
Bridge Sub-Structure	March-14	
Bridge Super-Structure	March-14	

Northern Rail Extension Phase 1

ARRC Project Staff

On-Site Project Manager

Mark Peterburs– Project Director
Salcha Project Office – 677-4731
748-1767 or 378-1762 (cell numbers)
peterbursm@akrr.com

Anchorage Staff

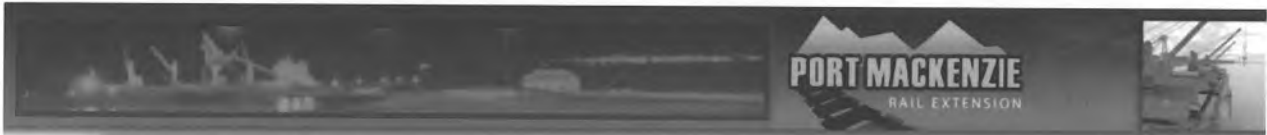
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2013 Mat-Su Borough Public Affairs



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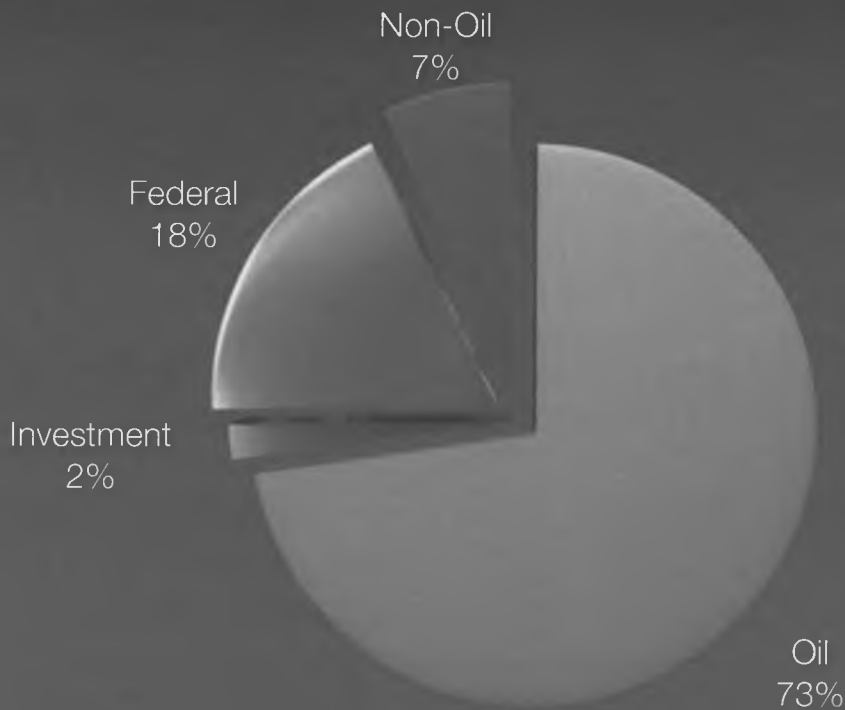


POISED FOR GROWTH



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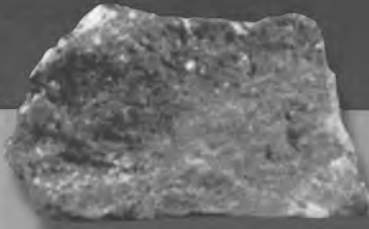
Alaska Government Revenue Sources



Only port in Alaska with large (14 sq. mile) staging, storage and industrial area



Alaska ranks **top ten** in the world
for important minerals



2% of the world's lead

3% of the world's gold

17% of the world's coal

6% of the world's copper

3% of the world's zinc

2% of the world's silver



Alaska has more than **70 occurrences** of Rare Earth Elements

5

PORT MACKENZIE
RAIL EXTENSION



\$146 million

Five separate appropriations
and a state-wide general obligations bond sale



6

Project funding to date

FY 2008	\$10 million	state appropriation for EIS
FY 2009	\$17.5 million	state appropriation for project
FY 2011	\$35 million	state appropriation for project
FY 2012	\$30 million	state appropriation for project
FY 2013	\$23.5 million	state appropriation for project
FY 2013	\$30 million	state general obligation bond

\$146 million: Current Total Appropriations

7

Project funding summary

Total Estimate for project **\$272.5 million**

Appropriated **\$146 million**

GO Bond **\$30 million**

Required for completion

\$126.5 million

8



Will have Alaska's only 100 railcar industrial loop



2.9 million cubic yards of soil moved
before 2012

**1.8 million cubic yards of soil moved
summer of 2012**

Totaling 4.7 million cubic yards

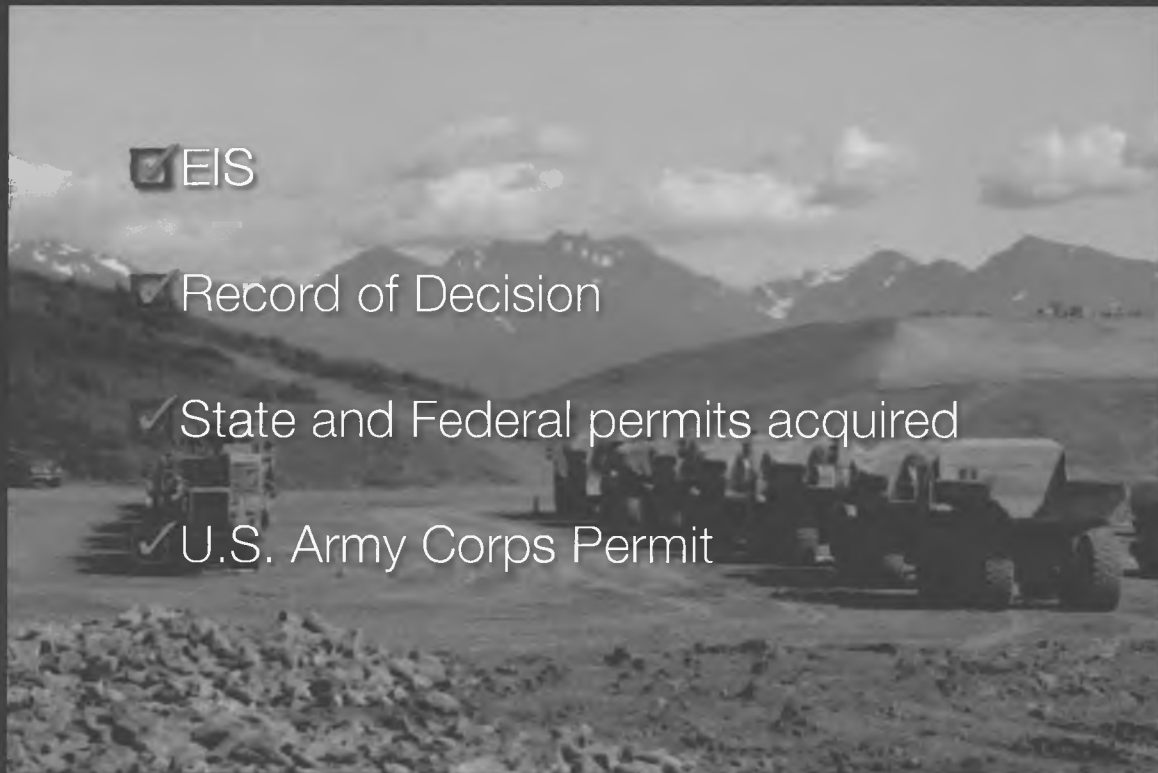
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Progress at the Port

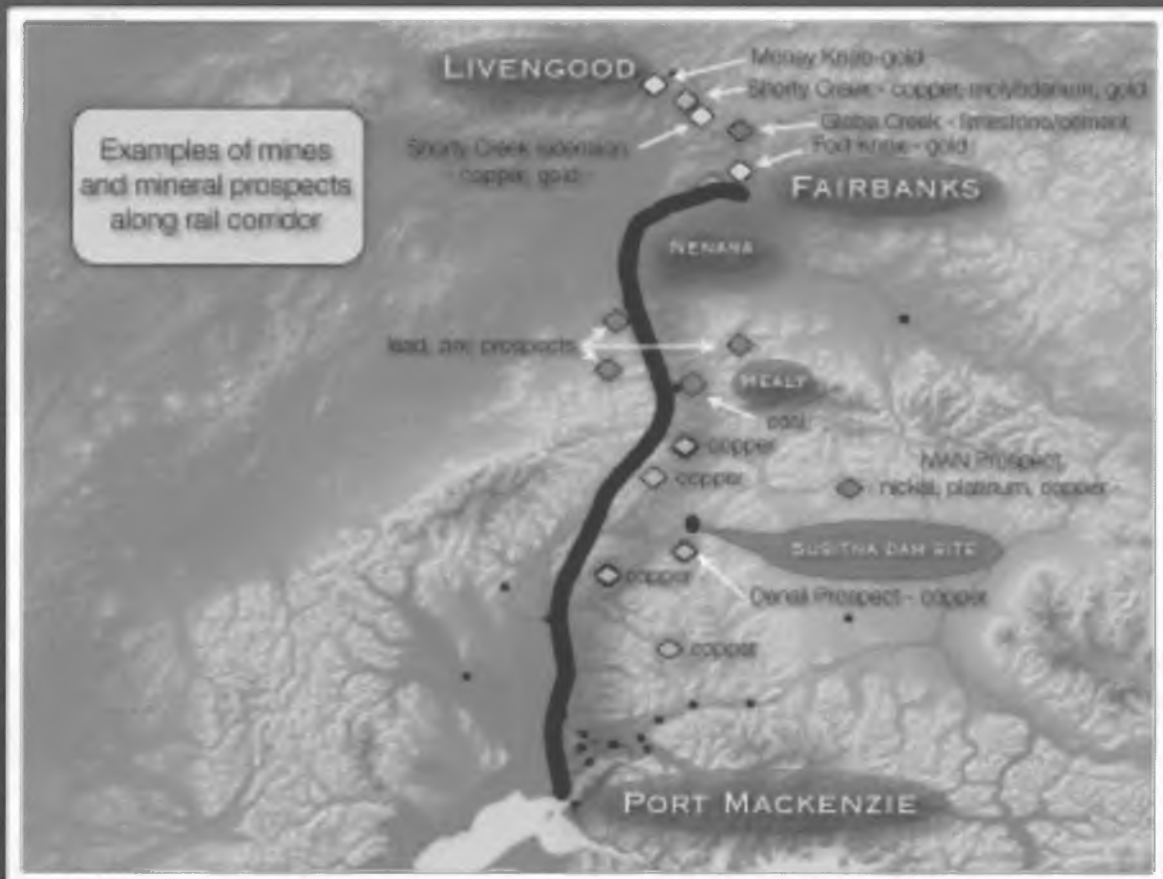
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Regulatory Hurdles



13



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Greater Wasilla Chamber of Commerce
Raven Gold Alaska Pogo Mine
Central Alaska Energy JDM Consultants
Concrete Co.

“Reducing our operational costs and increasing longevity.”
“The proposed rail to Port MacKenzie can help carry Alaska forward and make the state’s minerals more competitive on the world market.”

Lauren Roberts, PE
Regional Vice President, North America
Kinross Gold USA, Inc.

“This project is an important step towards assuring a brighter economic future for Alaska.”

Bill Popp
AEDC
President & CEO

Alas
International Union of Operating Engineers
AEDC The Alaska Miners Association
Borough

15

Companies & Freight on Port MacKenzie Rail

- PacArctic, Inc.
- Alaska Central Energy
- Tri Metal International
- Kinross Gold USA, Inc.
- Sumitomo Metal Mining
- Alutiiq
- NPI
- QAP
- Usibelli
- Koniag, Inc.
- Great Bear Petroleum

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Paul Metz

University of Alaska Fairbanks
Professor at Department of Mining and Geology

17



King Hufford III
CEO
PacArctic

18



Justin Charon
CEO
Central Alaska Energy

19

JOBS

private development

mining development along rail line

4000

industrial development of Port MacKenzie

3500



*Estimates by HDR and ISER

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Barge dock staging area

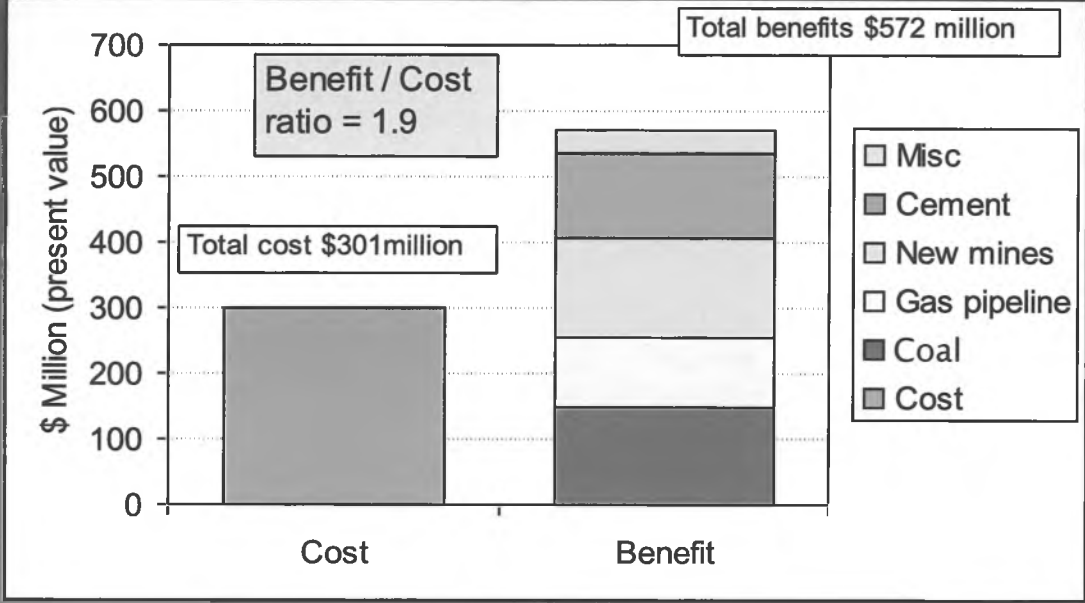


Upland lease lots



For large projects

ISER Benefit Cost Assessment of Rail Extension



COST

BENEFIT

Activity at the Port



Only port in Alaska with large (14 sq. mile)
staging, storage and industrial area



25



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Why Fund It?



All Alaskans benefit

200 jobs alone this summer

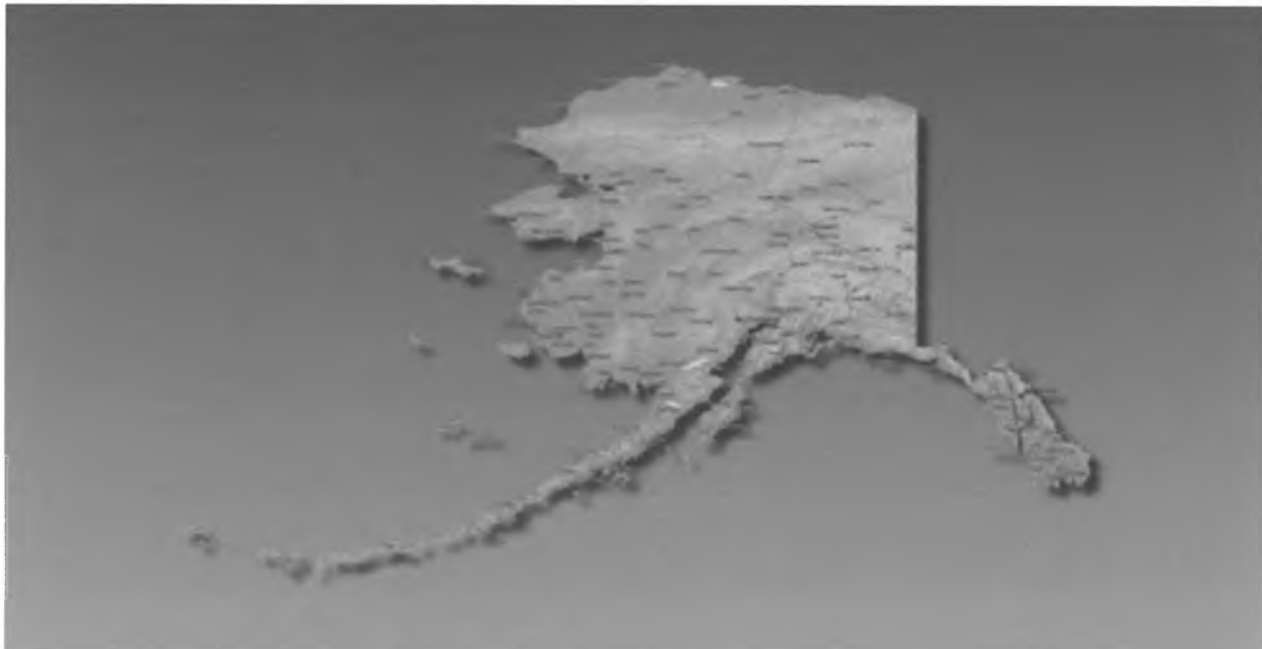
Cheaper fuel to Interior

New industries

The State revenues alone outweigh the infrastructure costs

Diversifies our oil-driven economy

27



Thank you!

For supporting a project that benefits all Alaskans

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