

SOUTH DAKOTA STATE RAILROAD BOARD MEETING
Becker-Hansen Building – Commission Room
May 18, 2016 @ 11:00 AM
Pierre, South Dakota

MEMBERS: Todd Yeaton, Chair
Carl Anderson via phone
Jeff Burket
Jerry Cope
Sheldon Cotton
Gary Doering
Harlan Quenzer

OTHERS: Lester Thompson, John Parliament, Alex Huff, John Hauck, Ken Cotton, Kim Halverson, Tom Greenway, Rick Vallery, Blake Jones, Rick Spiering, Micah Powell, Shawn Engel, Steve Guthie, Walter Wendland, Tonya Aldrich, Mike Williams, John Garner, Brian Hammerbeck, and Dustin Buntrock.

STAFF: Darin Bergquist, Joel Jundt, Bruce Lindholm, Karla Engle, Lynn Kennison (via phone), Misty Siedschlaw, Bonnie Olson, Dave Voeltz, and Tessa Wenner.

PHONE: Bob Mercer and John LeSeur

Agenda Items:

Call to order

- 1) Approve the minutes of meeting on April 18, 2016
- 2) Consideration of MRC maintenance plan and committee report follow up
- 3) Consideration of Sully County RRA-Ring Neck Energy Loan
- 4) Consideration of MRC RRA lease & sublease Amendment 1
- 5) Consideration of sale of property located in Presho, SD
- 6) Consideration of Dakota Southern connection to mainline on MRC line
- 7) Consideration of MRC Meet and Pass Siding
- 8) Discussion on Sioux Valley & Napa-Platte committee report
- 9) Update on MRC Project

Chair Yeaton called the regular meeting of the South Dakota State Railroad Board (the "Board") to order at 9:00 AM with a quorum present.

Motion by Cope, second by Burket, to approve the April 18, 2016, Railroad Board Meeting minutes. Motion carried by roll call vote (all aye).

2) Consideration of MRC maintenance plan and committee report follow up

Mike Williams presented the Board with Dakota Southern Railroad Company's (Dakota Southern) written maintenance plan for the Mitchell to Rapid City (MRC) line. The plan, entitled "MRC Maintenance Program 2016", outlined Dakota Southern's main goals for the line from Mitchell to Chamberlain. The Board considered the plan and chose to continue on with the other agenda items. No vote was taken at this time.

The Chair permitted Williams to address the condition of the Napa-Platte line, an item later in the Board's agenda. Williams informed the Board about Dakota Southern's planned maintenance activities for the Napa-Platte line, including weed spraying.

Chair Yeaton requested that Williams stay until the end of the meeting.

3) Consideration of Sully County RRA-Ring Neck Energy Loan

Walt Wendland, President of Ring-neck Energy & Feed, LLC ("Ringneck Energy"), addressed the Board concerning a proposed loan to Sully County Regional Railroad Authority for railroad facilities at Ringneck Energy's planned ethanol plant near Onida, South Dakota. The loan would be in the amount of \$5,078,423 for the purpose of constructing a loop track at the plant.

Motion by Quenzer, second by Cotton, to table the Sully County Regional Railroad Authority/Ringneck Energy loan request. Motion carried by roll call vote (all aye)

Chair Yeaton proceeded to agenda item 5, consideration of sale of property located in Presho, SD

Jerry Cope recused himself from the discussion and vote on agenda item 5.

5) Consideration of sale of property located in Presho, SD

Dakota Mill & Grain, Inc. submitted a request to the Board to allow Dakota Mill and Grain, Inc. to purchase the following state owned right of way property located in Presho, South Dakota: Lots R3, R4, R5, and R6, Dakota Mill and Grain Addition in the Northeast Quarter of the Southwest Quarter of Section 10, Township 105 North, Range 77 West of the 5th P.M., Lyman County, South Dakota. Dakota Mill & Grain, Inc. is requesting permission to continue with appraisal work on the property and approval of the sale once the appraisal work is completed.

Motion by Quenzer, second by Doering, to allow Dakota Mill & Grain, Inc. to obtain an appraisal of the property and approve the sale of the property at the appraised value.

Motion carried by roll call vote (6 aye, Cope recused).

Resolution 2016-B14 was adopted.

4) Consideration of MRC RRA lease & sublease Amendment 1

Bruce Lindholm addressed the Board. Lindholm requested clarification from the Board regarding application of the \$50 per car surcharge which was imposed under the previously approved amendment to the MRC Regional Railroad Authority lease (910866) and sublease (910867) agreements.

Motion by Cotton, second by Cope, to amend the lease and sublease agreements effective January 1, 2015, to exclude any established or new rail shippers located within the first 3.5 miles of the MRC line immediately west of the BNSF switch near Mitchell (milepost 374.55 to milepost 378.00) from the \$50 surcharge that applies to other traffic on the MRC line, as long as their shipments do not extend west of the first 3.5 miles of line.

Motion carried by roll call vote (5 aye, 1 nay [Quenzer]).

Resolution 2016 – B13 was adopted.

6) Consideration of Dakota Southern connection to mainline on MRC line

Dakota Southern requested approval from the Board to install two switches located at approximately milepost 415.5 and milepost 413.5 of the MRC line at Dakota Southern's sole cost. The two switches would lead to sidings for car storage located on private property. Approval of this request would require rescinding prior approval granted by the Board to install the switches and siding for car storage entirely on state-owned property.

Motion by Cotton, second by Quenzer, to rescind the Board's prior approval and grant permission to Dakota Southern to install two switches at approximately milepost 415.5 and milepost 413.5 to connect to storage sidings built on private property.

Motion by Cotton to amend the original motion to prohibit storage of hazardous material on the siding. This motion was seconded by Quenzer.

With the consent of the second (Quenzer), Cotton withdrew his motion to amend and his original motion.

Motion by Cotton, second by Quenzer, to: (1) rescind the prior approval for Dakota Southern to construct two switches and car storage sidings entirely within state-

owned property; and (2) approve the installation of switches at approximately milepost 415.5 and milepost 413.5 for connection to sidings located on private property, with the additional restriction that hazardous materials may not be stored on the sidings without prior Board approval.

Motion carried by roll call vote (all aye).

Resolution 2016-B15 was adopted.

7) Consideration of MRC Meet and Pass Siding

To plan for the possibility of meet-and-pass sidings on the MRC line, the department requested approval from the Board to contract for preliminary engineering and a wetland mitigation study for up to four areas located on the MRC rail line.

Motion by Cope, second by Doering, to authorize the department to contract for preliminary engineering work and a wetland mitigation study relating to meet-and-pass sidings for up to four areas located on the MRC rail line.

Motion carried by roll call vote (all aye).

Resolution 2016-B16 was adopted.

Harlan Quenzer, Railroad Board Member

8) Discussion on Sioux Valley & Napa-Platte committee report

A committee of the Board, consisting of Quenzer, Cotton, and Doering, along with Department staff, made observations of the condition of the Sioux Valley and Napa-Platte rail lines and provided the Board with a summary of their observations.

Chair Yeaton requested that the subject of farming/ranching encroachment of rail lines be added to next month's agenda.

9) Update on MRC Project

Bruce Lindholm updated the Board on the status of the MRC project. The project is on schedule.

Motion by Burket, second by Doering, to enter into executive session at 2:10 PM to consult with legal counsel on pending legal and contractual matters. Motion carried by roll call vote (all aye).

The Board reconvened at 3:37 PM.

Chair Yeaton returned to agenda Item 2, consideration of MRC maintenance plan and committee report follow up.

Motion by Quenzer, second by Cope, to require Dakota Southern to complete the following work within 90 days in order to correct maintenance deficiencies identified in the State's inspection of the subleased MRC line:

- (1) Dakota Southern must perform all of the maintenance work identified in the "MRC Maintenance Program 2016" submitted by Dakota Southern, with the additional requirement that Dakota Southern will provide 10,000 tons of ballast on the line instead of the lesser amount proposed in the program;
- (2) Dakota Southern must remove and properly dispose of all junk ties located in the Chamberlain Yard; and,
- (3) Dakota Southern must submit to the Board for its review, consideration, and possible acceptance, a three-year maintenance plan that ensure compliance with the terms and conditions of the lease and sublease.

Motion carried by roll call vote (all aye).

Resolution 2016-B17 was adopted.

The meeting was adjourned at 3:50 PM upon a motion for adjournment by Cotton, second by Doering.

Next meeting is scheduled for June 15, 2016, at 11:00 AM.

BRITTON LINE
REPORT ON LINE INSPECTION
FROM
MILE POST 46 TO MILE POST 115
MAY 19, 2016

Participants:

Bruce Lindholm, SD DOT
Lynn Kennison, SD DOT
Jerry Cope, SD Railroad Board
Jeff Burket, SD Railroad Board

Extent of rail line inspection:

1. The rail line inspection went from the Geneseo Junction and ended at the junction with the BNSF in Aberdeen, SD.
2. This line currently carries 300/cars per year. It will be going to 4,000-5,000/cars per year in the next year.
3. Current project is being done to replace all rail under 90#. Upgrade is to handle the additional traffic.

General observations:

1. The condition of the rail line appeared to be in very good condition.
2. There were a few locations where adjacent landowners have encroached onto railroad right of way with farming operations.
3. This line has a lot of water adjacent to it. It appears that the bed has been kept in good condition rail has been raised. A lot of ballast and concrete has been added to reinforce this rail bed.
4. 24.5 miles rail & tie project, roughly half North of Britton to ND and half South.

- a. Relaying rail with 112# or better and new plates where needed. Ballast and ties in generally good condition. Weeds were under control & aerial spraying scheduled to start in May.
5. Switch into new Britton shuttle loader was to be universal but appeared to be a standard right hand turn. Lynn was clarifying with the contractor which is was to be because of the cost differences in the two.
6. Cross level was minimal but some issues with battered ends of rail that produced an uneven ride.

General conclusion:

1. The Britton Line appears to be reasonably well maintained and capable of carrying the current amount of traffic. With the increase of traffic to 4,000-5,000/cars per year it will be important to keep up with the maintenance. This will be a major increase in traffic on a rail that has had very little traffic on it.

Recommendations:

1. The locations where adjacent landowners have encroached onto the railroad right of way with farming operations should be identified and contacted to have the farming operations in railroad right of way terminated and the ground restored to an appropriate grass cover.
2. The continuation of a good maintenance plan will be critical as the traffic on this line continues to increase. Important to go back a year from now and see how the track is holding up to the increased traffic.

**YALE LINE
REPORT ON LINE INSPECTION
FROM
MAY 20, 2016**

Participants:

Bruce Lindholm, SD DOT
Lynn Kennison, SD DOT
Sheldon Cotton, SD Railroad Board
Jerry Cope, SD Railroad Board

Inspection Route & Observations:

The line has RCPE storage cars at both the north and south ends. We drove to Yale and then alongside the track for the few miles from Yale to the north end but did not set on due to more storage cars than open track. We observed a washout north of Yale that has been built up and the track is in good shape.

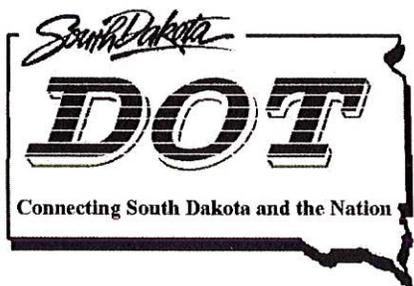
We set on at Yale and were able to high rail south to the storage cars across the bridges near Huron. Track, ballast and ties all appeared to be in very good shape but the line has not experienced any recent traffic. Several areas had had ballast dumped and a few showed signs of skelotonization but the RCPE road master reported that due to the soft spring ground conditions, they were waiting for drier weather to regulate and tamp. Weeds were obviously taken care of last year but will need sprayed again soon. We did inspect two sites where new culverts had been installed and / or the track raised to up out of low, wet areas.

Recommendations:

Overall the track appears very useable but it will be important to tour it again to make sure that the basic maintenance needs are not forgotten.

Ballast

No refusal
of services



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MEMORANDUM

Date: June 7, 2016
To: Chairman, South Dakota Railroad Board
From: Bruce Lindholm, Program Manager, Air, Rail and Transit
Subject: Napa Platte lease

The Napa Platte lease expires July 18, 2016, two days before the scheduled July Rail Board meeting. The lease is currently to Dakota Southern Railroad. If no action is taken on the lease, the lease will expire.

Lester -
3,000 ton on site - Spreading
Approaches will be worked on.
Progress is continuing.

- Southern Rail

Napa-Platte:
DOT Recommen - Comths extension of lease

STB?