

SOUTH DAKOTA STATE RAILROAD BOARD MEETING
September 16, 2015 @ 11:00 AM
DOT Building – Commission/Boardroom
Pierre, South Dakota

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

OTHERS: Tobin Morris, Debra Badenstedt, Don Kettering, John Kramer, Patrick Leary, Matt Winsand, Mike Williams, Alex Huff, Al Arendt, Ken Cotton, Bob Mercer, John Hauck, Gerald "Tub" Harrington, Ralph Marquardt, and Rick Vallery

PHONE: Doug Davis, Frank Kloucek, Avery Beggs, and Terry Carter

STAFF: Darin Bergquist, Kellie Beck, Misty Siedschlaw, Lynn Kennison, Karla Engle, Bonnie Olson, Bill Nevin, and Jeryl Lynn Stein

Agenda Items:

Call to order

- 1) Approve the minutes of meeting on July 15, 2015
- 2) Update on MRC project
- 3) Discussion on Dakota Southern new sidings
- 4) Discussion on Napa-Platte RRA lease and sublease

Chair Yeaton called the regular meeting of the South Dakota State Railroad Board (the "Board") to order at 11:00 a.m. with a quorum present.

Cotton read a letter from Anderson addressed to Chair Yeaton and presented Chair Yeaton with a railroad gavel for use at the Railroad Board meetings.

- 1) Motion by Cope, second by Quenzer, to approve the July 15, 2015, Railroad Board meeting minutes. Motion carried by roll call vote (all aye).

Darin Bergquist, Department of Transportation

2) Update on MRC project

Bergquist provided an update to the Board on the MRC project. Bergquist noted the progress of the project was going well and the replacement of rail should start the week of September 24th. No action was taken by the Board.

3) Discussion on Dakota Southern new sidings

Mike Williams, President of Dakota Southern Railway Company, addressed the Board to request permission for the installation of improvements on the state-owned rail line that extends from Mitchell to Rapid City, with all improvements remaining the property of Dakota Southern, unless their removal would cause the MRC line to be less serviceable than before the installation. The items to be installed were:

- (a) two switches on the mainline of the MRC line at Milepost (MP) 386 and MP 388, with 10,580 feet of siding south of the main line to be used as a meet and pass track consisting of 132# or 136# rail;
- (b) a switch at MP 387 with two sets of tracks north of the mainline to be used for car storage, and with each track extending approximately 10,580 feet in length and consisting of 100# or heavier rail;
- (c) a switch at MP 412+4634 with a siding extending approximately 7,800 feet, to be used for car storage;
- (d) a switch at MP 414+2028 with a siding extending approximately 7,800 feet, to be used for car storage; and,
- (e) two 7,800 foot sidings to be connected to the existing switch into Iron Horse development and to be used for a lead track serving a loading and unloading facility at the development.

Motion by Doering, second by Anderson, to authorize the Secretary or his designee to execute all documents necessary to allow Dakota Southern Railway Company to install the items as described above. Motion carried by roll call vote (all aye).

4) Discussion on Napa-Platte RRA lease and sublease

Chair Yeaton asked the interested parties to address the Board with their revised proposals concerning the Napa-Platte rail line in the following order: Napa-Platte

Regional Railroad Authority, V & S Railway, LLC, Ralph Marquardt, Dakota Southern Railway Company.

Tub Harrington and Ken Cotton, representatives of Napa Platte Regional Railroad Authority, presented the Authority's proposal to the Board. Doug Davis, Vice President and general counsel for V & S Railway, LLC, presented its proposal to the Board. A five minute break was granted by Chair Yeaton. Chair Yeaton granted Ralph Marquardt's request to present his proposal to the Board after Dakota Southern Railway Company. Mike Williams, President of Dakota Southern Railway Company, presented his proposal to the Board. Anderson left the meeting at 12:38 p.m., during this presentation, by terminating his telephone connection. Anderson left the meeting to attend to another matter. Ralph Marquardt presented his proposal to the Board.

The Board discussed the proposals. Anderson returned to the meeting at 1:35 pm., during this discussion, by reestablishing his telephone connection. Chair Yeaton noted that since Anderson missed some of the proposals, he would be unable to vote. A break was granted by Chair Yeaton at 1:15 pm and the meeting was resumed at 1:30 pm. The Board continued discussion of the proposals.

Motion by Cotton, second by Doering to direct the Secretary of the South Dakota Department of Transportation, or his designee, to:

- (a) Execute a 60-day lease agreement of the Napa to Platte railroad line with Dakota Southern Railway Company subject to the following terms and conditions:
 - (i) the effective date of the lease will be September 21, 2015;
 - (ii) Dakota Southern Railway Company will pay to the DOT 50% of all car storage fees billed; and
 - (iii) Dakota Southern Railway Company will be allowed to keep all switching fees charged for the rail facilities.

- (b) Negotiate a 20-year lease with Dakota Southern Railway Company for the Napa to Platte railroad line that:
 - (i) is based on the proposal presented to the Board by Dakota Southern Railway Company; and
 - (ii) is submitted to the South Dakota State Railroad Board for final approval prior to execution.

- (c) Initiate all necessary proceedings to terminate the common carrier rights, obligations, and authority held by any party other than Dakota Southern Railway Company for any part of the Napa to Platte railroad line.

Motion carried by roll call vote (4 aye, 1 nay [Cope], 2 abstain [Anderson and Yeaton]).

The meeting was adjourned at 2:05 p.m. upon a motion for adjournment by Quenzer, seconded by Anderson.

Next meeting is scheduled for October 21, 2015, at 11:00 a.m.