Windy wet weather during the last half of September wreaked havoc on the Alaska Railroad. Troubles began as the summer rail passenger season wound down. Huge, powerful storms moved into the state, one right after another, bringing destructive winds and relentless rain.

September weather damage was substantial enough to warrant activation of the Incident Command System (ICS) team to address the emergency. Railroad ICS also coordinated with incident command organizations established by numerous local and state agencies as they tackled wind and water damage all along the railbelt.

Mid-month, high winds kicked up with hurricane strength gusts that cut power several times.

(See “Wet, windy weather” on page 6)

Crews install a culvert to divert flood waters that washed out 500 feet of track near Gold Creek. About 20,000-25,000 cubic yards of material were required to re-fill the gap.

The Information, Technology and Telecommunications Division recently reorganized as the Information Services, Telecommunications and Signal Division. The reorganization aligns the division to deliver the two large corporate initiatives — Positive Train Control (PTC) and Enterprise Resource Planning (ERP) — while still addressing everyday needs efficiently. The division has four department groupings: 1) Telecommunications & Network Infrastructure; 2) Information Services; 3) Technology and 4) Signals. Eileen Reilly remains the division’s Vice President.

Several equipment-related functions have been combined into a new Telecommunications and Network Infrastructure (TNI) Department led by Joe Carlton who was promoted from Telecom Manager to Director of TNI. “We brought together Telecom, Network Services and the Help Desk together under one department to provide a more streamlined and efficient system,” said Carlton. “With the migration of communication systems to the internet protocol (IP) world, this only makes sense.”

(See “Info-Tech-Telecom Reorg” on page 7)
President’s Message

Safety, efficiency are key for 2013

By Chris Aadnesen, President & CEO

As Bill O’Leary explains in his CFO article, budgeting for 2013 is in full swing. Frankly, the revenue numbers don’t look good, given a full year’s impact from Flint Hills Refinery cut-backs and a multi-million-dollar reduction to federal funding.

Employees at every level of the Alaska Railroad are in the best position to help our company weather the storm by working together, working safely and working more efficiently. It’s that simple.

This summer, Congress passed surface transportation legislation that preserves 80+ percent of our Federal Transportation Administration (FTA) funding. (See story on page 8) The relative victory in Washington, DC, was due in no small part to the collective efforts of hundreds of Alaska Railroad employees. A mutual threat and our shared response offered a superb example of how railroaders can join forces to produce extraordinary results. To meet next year’s fiscal challenges, we will need more of the same, and then some, particularly in the areas of safety and efficiency.

Poor safety statistics — particularly in the personal injury category — is costing our company and our employees. In 2011, 64 Worker’s Compensation claims incurred more than $1.3 million in expense. With 70 claims so far in 2012, the cost is expected to surpass $2 million — a $700,000 jump over last year. Money spent on accidents and injuries is money that is NOT spent to employ more people (or save jobs), fund initiatives that benefit employees and customers, or underwrite equipment upgrades and other critical capital projects that improve railroad operations and employee working conditions. The cost of injuries on the job goes beyond dollars; injuries depress morale, lower workplace efficiency, and impact families. Each railroader can make a big difference by paying more attention to his or her own safety as well as the safety of co-workers.

Nowhere else on the line has safety figured more prominently in operational success than in Whittier. Here, Railroaders have proven that miserable weather does not have to foretell a poor safety outcome. In spite of a record-breaking winter with 500-plus inches of snow, employees in Whittier refused to succumb to rising risk factors such as snowed-in switches, iced-up crossings, and slick walking conditions. Twice, about 7,000 feet of railcars in the yard were frozen to the track, spurring a cohesive effort among MOW and Transportation workers and managers to free the cars, working on their hands and knees with ice picks. Not one injury occurred during this labor-intensive task. In the Whittier area, Transportation reported just one minor vehicle incident and MOW had just one injury during the entire incredible winter.

Working more efficiently is just as important as working more safely. And, delivering services with greater economy is almost always possible. Our Transportation Department proved this at the end of July, when our petroleum-hauling business was effectively halved. In response, freight operations decreased from seven to five freight trains per week, while train lengths grew from about 5,200 feet to 6,600 feet. Our trailer/container and barge operations have never been more efficient and we are still meeting customer expectations. I have no doubt that Alaska Railroad employees in every department can find more time-saving and cost-effective ways to achieve similar results. The need for and value of such resourceful thinking cannot be overstated.

Earlier this year, railroaders’ response to the FTA funding crisis clearly demonstrated our ability to work collectively on behalf of our company. Likewise, several railroad teams have overcome weather and operational challenges to deliver the goods while meeting exceptional safety and efficiency goals. Let’s build on this momentum to make the last quarter of 2012 our safest and most efficient yet, so we can start 2013 off on the right track.

Mileposts: Inaugural Railroad Award

ARRC CEO presents first Mears Award

President & CEO Chris Aadnesen recently presented the inaugural Colonel Frederick Mears Award for Excellence to the team responsible for revitalizing the Historic Freight Shed. The Mears Award recognizes people and projects that move the Alaska Railroad forward and contribute to the greater good of Alaska and railbelt communities. Aadnesen presented the awards August 27, during a ribbon-cutting ceremony that marked the U.S. Forest Service move into the freight shed.

Railroad recipients include:

- VP Real Estate & Facilities Jim Kubitz
- Facilities Director Paul Farnsworth
- Leasing Manager Andy Donovan
- Corporate Finance Director Barbara Amy

(See “First Mears Award recipients” on page 3)
CFO: 2012 Difficult, 2013 Uncertain

By Chief Finance Officer / VP Bill O’Leary

When this year began, expectations for improved financial results were embedded in the 2012 operating and capital budgets approved by the Alaska Railroad’s Board of Directors last November. Based upon projected growth in certain key business lines and good expense control, net income was planned to rise to $15.4 million, with freight and passenger operations contributing over $6 million to that total, yielding an operating ratio of .95.

However, as we all know, promising expectations fell from the one-two punch of brutal first-quarter winter weather and key customer Flint Hills Resources’ decision to markedly reduce production capacity at the North Pole Refinery. July’s mid-year earnings forecast projected year-end corporate net earnings to just top $11 million with an operating ratio of .99. This forecast accounted for more than $5 million in expense reductions put into place beginning summer 2012. These included 50 position eliminations, travel and contract cuts, and other measures to lower our corporate cost structure. July and August’s financial results have largely been in line with the mid-year forecast. The Finance Division is in the process of completing the final earnings forecast for the year, which will be published with September’s financial report available in October.

With fall upon us, attentions necessarily turn to planning for the year ahead. Unfortunately, as we have discussed throughout much of 2012, the news for 2013 is not encouraging. We anticipate further declines in petroleum volumes and the world market for export coal has softened. The Eva Creek wind farm project provided an unexpected boost to 2012, but nothing appears poised to fill the void as this project wraps up later this year. Programmed collective bargaining agreement increases, projected benefit cost growth, and erratic (but rising) diesel costs plague the expense side of the ledger.

The 2013 budget process will be challenging. More difficult decisions are on the horizon, if ARR is to remain self-supporting and generate capital sufficient to adequately maintain existing infrastructure. Management is seeking input from numerous sources and will work with our Board of Directors to chart a path forward that strikes a reasonable balance while still permitting the corporation to meet its mission.

First Mears Award recipients ...

(continued from page 2)

The Mears Award was also presented to Brian Meissner, a Partner of ECI/Hyer Architecture & Interiors for the firm’s work to maintain the building’s historic nature while ensuring renovation met the high environmental standards established by Leadership in Energy & Environmental Design (LEED) criteria.

The award is named after the former Alaska Engineering Commission chairman and chief engineer credited with overseeing Alaska Railroad construction from 1914 to 1923. Mears was widely recognized for directing remarkable engineering feats, including the Mears Memorial Bridge over the Tanana River. While completing the Alaska Railroad, Mears kept in mind the best interests of local railbelt communities and the fledgling territory.

“This first Mears Award offers a tribute to the vision and persistence required to see such a community-minded project come to fruition,” said Aadnesen. “It took insight and foresight to insist upon the freight shed’s preservation. Where many saw an outmoded relic that warranted demolition, this team saw promise in a structure that was tremendously important to Alaska’s early freight transportation and distribution system.”

“The project effectively blends the building’s historic heavy-timber character with the innovative use of recycled and green materials and exceptional energy efficiency,” added Aadnesen. “This is an extraordinary feat made all the more remarkable by its completion on time and on budget. This team’s efforts reflect the undaunted spirit of the award’s namesake, and they are very deserving of this special recognition.”

“This is part of an overall development plan for Ship Creek that we think will bring visitors and residents alike to the Ship Creek area,” Kubitz said. “We’re happy to welcome the U.S. Forest Service to the neighborhood and look forward to further growth throughout Ship Creek.”

(Award recipients, L-R: ARR Leasing Manager Andrew Donovan, Facilities Director Paul Farnsworth, Corporate Finance Director Barbara Amy, VP of Real Estate & Facilities Jim Kubitz, and ECI/Hyer Partner Brian Meissner. (Photo by Stephenie Wheeler)
MILEPOSTS: SPECIAL AWARDS

AGENTS HONORED AS KENTUCKY COLONELS

In August the Adjutant General of the Kentucky National Guard recognized ARRC Chief Special Agent Dan Frerich and Special Agent Johnny Evans for their assistance with a Wounded Warrior program that provides a week of recreation on the Kenai Peninsula for Purple Heart-awarded veterans who have been injured while in military service. Kudos included Kentucky Governor Steve Beshear’s written presentation of the “Kentucky Colonel” award, which is the Commonwealth of Kentucky’s highest honor given to salute acts of goodwill and fellowship. Some other well-known Kentucky Colonels include Muhammad Ali, Betty White, George Clooney, Ashley Judd, Johnny Depp, Kenny Perry and Elvis Presley!

Evans got involved with the Wounded Warrior program four years ago when he reconnected with a Kentucky State Trooper friend, Chuck Reed, a Sergeant in the Kentucky National Guard who has four children in the military. At the time, Evans was an Alaska State Park law enforcement ranger/pilot in Dillingham. Since then Evans has helped to organize the annual Kenai Wounded Warrior adventure. This year, the program included guided fishing, clam-digging, bear-viewing, flight-seeing and train travel for 12 veterans from Kentucky. A professional pilot, Evans personally flew several veterans around the Mat-Su Valley. He also hosted a steak feed at his home in Wasilla. Chief Frerich assisted with raising money, the steak feed and also coordinated the request for donated rail travel aboard the Hurricane Turn. Evans said a couple of the Wounded Warriors told him the Hurricane Turn was the highlight of their trip to Alaska.

MILEPOSTS

HOME FRONT: BIRTHS AND RETIREMENTS

Births: New Arrivals

- Track Repairer Leader Lucas Bergstrom and wife Jennifer welcomed son Gabriel Lucas born June 1.
- Conductor/Brakeman Matt Baxter and wife Megan welcomed daughter Mia Suzanne born August 12.
- Carman Trainee Scott Larson and wife Rachael welcomed daughter Adelyn Jo born August 16.
- Manager, Reservations & Ticketing Tucker Remley and wife Erin welcomed twin daughters Finola C. and Eleanor W. born August 24.

Retirements: Fond Farewells

- Diesel Shop Leader Gary Russell retired from the Mechanical Department with more than 37 years of service.

MILEPOSTS

NEW HIRES: JULY - AUG - SEPT

Andrew Brandal .......... Telecommunications
Russell Brenner .......... Information Services

Kelsey Cook .............. Guest Services
Tiffany Ryder .......... Grant & Project Administration
MILEPOSTS

SERVICE AWARDS: JULY - AUG - SEPT

1 Year
Jacques Abbott, Jr......................... Maintenance
Joseph Balog ......................... Maintenance
Douglas Bittinger ..................... Mechanical
George Brink ......................... Mechanical
Marcus Burns ...................... Maintenance
Kasey Cavyell ...................... Maintenance
Dominic Dionne ..................... Guest Services
Karlie Ennes ..................... Guest Services
Robert Frazier ..................... Mechanical
Cathy Frost ...................... Human Resources
Dustin Gaubatz ..................... Mechanical
Jeffrey Gimbel ..................... Mechanical
Sazil Herrera-Moody ........ Guest Services
Mariam Hill ..................... Guest Services
Frank Keller ..................... Transportation
Aaron Lampley ..................... Maintenance
Michael McBride ................ Finance
Jon Mobley ..................... Guest Services
Thomas Ranchoff ................ Mechanical
Samuel Reynolds ........ Guest Services
Katherine Rhoades ........ Guest Services
Justin Schenkoski ........ Mechanical
Clarence Smyth ........ Maintenance

5 Years
Matthew Baxter ................ Transportation
Michael Lauer ................ Facilities
Joseph Plummer ................ Maintenance
David Savage ................ Transportation
Patricia Schumacher ........ Corporate Affairs
William Hughes, Jr ........ Transportation
Steven Pechota ........ Mechanical

10 Years
Kathleen Carlson ................ Guest Services
Andrew Donovan ............... Real Estate
Matthew Glover ............... Transportation
Christopher Meehan ........ Maintenance
Robert Russell ............... Guest Services
William Ryan ........ Maintenance

15 Years
Samuel Johnson ........ Supply Management
Benjamin Schmidt ........ Maintenance
Erik Swanson ........ Supply Management
Herder Winkelman ........ Maintenance

20 Years
Stephen Corven ........ Transportation
John Howe ................ Facilities
James Murphy ........ Signal

25 Years
Gordon Larson ........ Transportation
Gary Setten ................ Transportation

30 Years
Kevin Aleshire ........ Signal
Steven Cain ........ Transportation
James Reda ................ Facilities

35 Years
Wesley Rogers ........ Transportation

Sourdough Service Awards
LONG-TIME RAILROAD EMPLOYEES WERE HONORED DURING A RECOGNITION CEREMONY JULY 18.
(PHOTOS BY TIM SULLIVAN)
over several days. At one point, many areas in the Anchorage Bowl lost power, including the Ship Creek area. Train traffic was interrupted briefly until communications could be restored with emergency backup power systems. Winds knocked down trees and scattered debris along the track, requiring maintenance-of-way (MOW) crews to respond with track-clearing equipment. As windy conditions continued for several days, hyrail pilot cars operated along the track to provide trains with an early warning of any additional hazards.

The massive storms that generated the winds also generated rain... lots of rain up and down the rail corridor. The south end was hardest hit at first as rain water swelled numerous Kenai Peninsula creeks and rivers. Seward and surrounding areas saw major flooding that washed out and covered roadways, and caused numerous small track washouts. MOW crews were quick to repair these problem areas and the track between Anchorage and Seward remained open to rail traffic.

Rain continued with few breaks for nearly a week, driving more water into the Matanuska Valley and Interior Alaska rivers and streams. Waterlogged soils gave way into major mud slides, covering yards of track with dirt and debris several feet thick. Flooding was inevitable, and indeed the Susitna, Talkeetna, Nenana and many smaller rivers crested, spilling formidable, fast waters into towns, over roads and the track. Flood waters scoured railroad infrastructure, eating away at the abutments of rail bridges crossing several rivers between Wasilla and Talkeetna. Crews quickly staged equipment and hauled rip-rap material from the Curry Quarry to fortify damaged bridges.

The worst damage came in the form of a massive washout discovered early morning September 21. A newly formed water channel caused the trackbed to disintegrate, leaving about 500 feet of track dangling just south of Gold Creek (about 35 miles north of Talkeetna). The section of washed out track runs parallel to the Susitna River and is accessible only by rail. Two dozen railroad crew members worked double-shifts around-the-clock operating bulldozers, excavators and two work trains hauling fill material via air-dump railcars. Working from both ends of the washout, crews did an amazing job rebuilding the huge gap quickly and safely, enabling the track to reopen September 25. Once the washout was repaired, crews immediately turned their attention on water erosion damage all along the line from Seward to Nenana.

Record-breaking weather patterns — extreme even for Alaska — have underscored the year 2012 so far. The winter of 2011-2012 was one of the snowiest on record — Anchorage posted 134.5 inches in cumulative snowfall, topping the record with a depth nearly double the 74.5-inch average. Winter storms also dumped 510 inches (42-plus FEET!) of snow on Whittier, and even interior communities saw more snow than is typical. Summer proved to be one of the coolest and sunless on record and that damp trend continued into early fall.

The cost of dealing with extreme weather is tremendous. September’s weather-related damage alone is estimated at about $2 million. Additional costs related to operational and service interruptions will be substantial.
B&B1 merges with Facilities Dept

The Alaska Railroad’s Facilities Department and Bridges & Buildings One group (B&B1) have merged, effective September 6.

When the Facilities Department was formed under the Real Estate Division in 2007, skilled carpenters, electricians and plumbers were recruited from B&B1 to fill the new department’s positions. Since then, the two groups have focused on maintaining different facilities and assets, but their craft skills remained comparable.

Merging B&B1 into Facilities has several goals:

- **To meld the best of both teams.** Facilities maintenance crews traditionally have had a pro-active preventive maintenance (PM) focus. B&B1 is well-known for its effective team-oriented approach to facility/asset maintenance projects.

- **Boost efficiency.** The Anchorage Facilities crews moved from the 1000 Whitney Road location to 521 Ocean Dock Road (Building 6, near the Mechanical Shops) to combine with B&B1 existing operations. Other than the physical location, phone numbers and contact information remain the same. Combined operations in Anchorage will enhance efficiency by sharing the same resources. The three Facilities crew members in Fairbanks will continue to work out of the Facilities Shop in the yard.

- **Reduce costs.** Operating expenses should decrease by virtue of the 10 Anchorage-based crew members in one location, as opposed to two. The vacated Whitney Road location will eventually be leased to generate revenue. Overall, the merger reduced the facility maintenance workforce by four positions — three in Anchorage and one in Fairbanks. Three positions were eliminated by attrition from retirement and unfilled vacancy.

All Facilities workers now report to Facilities Maintenance Supervisor Chris Corbeil. Facility work that cannot be accomplished in-house by Facility mechanics, plumbers and electricians, is handled by Facilities Contracts Manager Shane Maloney. Corbeil and Maloney both report to Facilities Director Paul Farnsworth. They continue working hand-in-hand to keep railroad buildings and facilities operating safely and efficiently.

INFO-TECH-TELECOM REORG ...

(continued from page 1)

In an early August email, Carlton highlighted some changes that employees may notice. First, Telecom/Switch Board Tech Jimmy Lemke moved from the Headquarters building to the Telecom/Signal Shop at 1224 Whitney. Lemke will still work on telephone issues and can be reached at the same number. Also, Brian Studinski was promoted from Network Field Supervisor to Telecom Manager, overseeing the work of 10 telecom technicians. Finally, the Help Desk team will close up shop 8-9 a.m. on Fridays in order to meet with colleagues at the Telecom/Signal shop for safety training and coordinate customer projects.

The Help Desk reports directly to the TNI Director. Computer Equipment Specialist (CES) II Mo Waterman now leads the three-person CES team, including Bob Thomas and Joe Hupprich.

“This structure is moving in a good direction,” said Waterman. “Already, we are seeing better communication and coordination between IT disciplines.”

**Information Services: Software-Based**

The Information Technology Department was dissolved and its functions have been re-distributed. Administrative Assistant Pat Thibodeaux reports directly to VP Eileen Reilly and is now a division-wide resource. While Network Infrastructure moved to TNI, the Business Systems Analysis and Application Programming functions moved to the reorganized Information Services (IS) department led by Business Systems Analysis Manager Paul Willman. IS includes Business Systems Analysts Andrew Dekreon, Chad Solberg, Don Thomas and Willow Peyton, along with ERP Project Manager Mike Schuh. Systems Administrators Glen Biegel and Russell Brenner moved from Network Infrastructure to Information Services to work closely with this group during the ERP initiative.

**Technology: Positive Train Control**

Previously, members of the Positive Train Control (PTC) project team reported directly to VP Reilly. To better focus communications, PTC Project Managers Dave Kocher and Lane Davis, and PTC Road Foreman of Engines Jeff Rognes are now led by PTC System Engineer Patrick Baker, who in turn reports to Reilly.

**Signals: No Change**

The Signals Department remains unchanged under Director Harry Newell.
STATUS OF FTA FUNDING STILL IN FLUX

In late June, a congressional conference committee hammered out a compromise on national surface transportation legislation which preserved the majority of Federal Transportation Administration (FTA) funding for the Alaska Railroad. Congress approved the legislation — dubbed Moving Ahead for Progress in the 21st Century (MAP 21) — and it will remain in effect for two years, until September 2014.

In mid-August, U.S. Representative Don Young and U.S. Senator Mark Begich stopped by the Anchorage Historic Depot to meet with Railroad employees. They agreed that Alaska Railroad employee involvement was absolutely essential to their legislative efforts on the railroad’s behalf. Both warned that the fight will likely resume in two years, when attempts to further reduce or even eliminate FTA funding for the Alaska Railroad re-surface. Both also predict that commuter rail service will remain a key issue in future discussions.

Since MAP 21 passed, the Alaska Railroad’s finance and grant departments have been analyzing the new rules to determine just exactly what we will receive, beginning in 2013. The railroad was told to expect about $31 million under MAP 21, but the language is complex, and preliminary calculations estimate receipts to be between $26 and $31 million. The exact amount will depend upon formula clarification and agency decisions.

One calculation is certain — the required local match has increased from 9 percent to 20 percent. This means the Alaska Railroad must come up with more internally-generated cash for projects funded by FTA grants.

“The impact to internal funds is equal to the decrease in the overall FTA grant amount, plus the increase in match,” said Budget Director Barbara Amy. For comparison, consider the 2011’s FTA allotment of $35.8 million and 9% match and assume $31 million and a 20% match for 2013:

<table>
<thead>
<tr>
<th>2011 Funding</th>
<th>2013 Funding</th>
<th>Difference</th>
</tr>
</thead>
<tbody>
<tr>
<td>FTA Funding</td>
<td>$35.8 million</td>
<td>$31.0 million</td>
</tr>
<tr>
<td>Required Match</td>
<td>9% $3.55 million</td>
<td>20% $7.75 million</td>
</tr>
</tbody>
</table>

**Total impact to ARRC internal funding:** $9.0 million

The FTA formula fund allocations are based on multiple calculations. The Alaska Railroad has averaged about $36 million annually since 2005, but each year the amount fluctuates because calculations are based on operational inputs that vary from year to year, explained Grants Director Shawnessy Leon.

Under SAFETEA-LU transportation legislation, which funded FTA grants from 2005 through 2012, formula calculations included:

- **Passenger Miles:** based on the number of people aboard regularly-scheduled passenger trains (Coastal Classic, Denali Star, for example). We cannot count people aboard the cruiseline railcars, or aboard special trains or charters. Only regularly-scheduled service trains count.

- **Revenue Vehicle Miles:** based on the miles that each passenger car operates as part of regularly-scheduled service. Again, car use during charter or special services does not count.

- **Fixed Guideway Route Miles:** based on the miles of track on which regularly-scheduled passenger service trains operate. Areas of the track that are not used by passenger trains don’t count. For example, passenger cars do not run along the Eielson Branch or along the Suntrana Branch (to the coal mine), and these miles of track are not considered in the formula. The Alaska Railroad was allowed to count 60 percent of the eligible miles of track.

MAP 21 legislation established new factors and calculations, which the FTA is currently translating into regulations. That process is expected to conclude by the end of this year. Until then, the Alaska Railroad cannot be certain of the level of FTA funding beyond 2012. ■
On September 12, the area west of the Alaska Railroad’s Headquarters building in Anchorage looked like a disaster had just hit. Emergency vehicles, tarps and tents, and people dressed in hazmat suits set a grim scene suggesting multiple incidents. In fact, freight and passenger trains had derailed, releasing noxious chemicals in the process… but these disasters were no accident.

Indeed, scenarios involving railroad equipment and various chemicals were carefully choreographed to provide realistic demonstrations and training opportunities as part of the Alliance of Hazardous Materials Professionals (AHMP) conference. The Alaska Railroad donated the space to set up the exercise, as well as use of the rail equipment. Participants included the Alaska Department of Environmental Conservation, 103rd Civil Support Team (103rd CST, National Guard), Anchorage Fire Department, and Statewide Hazmat Response Team.

“Everyone was very pleased with the drill,” said ARRC Environmental Operations Manager Matt Kelzenberg. “The Alaska Railroad benefits from the relationships we build with these skilled responders, who in turn become more familiar with railroad equipment. Should an incident occur involving a train, responders will be better equipped to handle the situation.”

The Alaska Railroad is a member of the Alaska Statewide Hazmat Response Group that got its beginnings with regional hazmat planning in the mid-1990s. The statewide group includes five hazmat response teams that are able to deploy to any location in the state to respond to Level A emergencies. In addition to the teams based in Anchorage, Fairbanks, Juneau, Ketchikan and Kodiak, the state hazmat response effort includes federal partners, such as the 103rd CST, Elmendorf Air Force Base Hazmat Team, 95th Chemical Company (95th CC, U.S. Army), and Environmental Protection Agency Hazmat Team.

Marketing Moment

ARRC named “Top 10” by National Geo

The Passenger Sales & Marketing group recently shared noteworthy news that our regularly scheduled Coastal Classic train to Seward received rave reviews in National Geographic Traveler. Previously, this highly regarded travel magazine listed the Coastal Classic as one of the top 10 railroad trips in North America. This high praise is duplicated as a “top 10” listing on National Geographic’s web site. Check it out: http://travel.nationalgeographic.com/travel/top-10/north-american-train-trips/#page=2

“We have a special thing going here, and we should all relish in the praise when it comes our way,” said Ruth Kimerer, Marketing Communications Manager. “Once again, thanks to everyone for all the work they do at the Alaska Railroad that helps us sell the Best Train in the World!”

Once again, thanks to everyone for all the work they do at the Alaska Railroad that helps us sell the Best Train in the World!

Ruth Kimerer
FUEL CONSERVATION PROGRAM PROGRESSES

In 2011 the Alaska Railroad spent a whopping $17 million on diesel fuel for train operations. The Alaska Railroad has made great strides in conserving fuel, yet this year’s revenue cuts coupled with rising fuel prices have forced even more attention on fuel expense.

This spring, Dave Greenhalgh was asked to spearhead a formalized ARRC Fuel Conservation Program and to foster a company-wide fuel-saving culture. The effort involves quantifying current fuel use as a baseline. During May, data was manually collected to track fuel use on several freight and coal trains. Another round of data collection is slated for October to get a sense of the fuel impacts of longer, heavier trains (in lieu of shorter, more frequent freight trains). The formalization effort also includes documenting existing conservation measures and developing new measures.

Existing policies and techniques that are receiving renewed emphasis include:

- **Maintenance Policy.** Maintaining locomotive peak efficiency is a coordinated effort between Transportation and Mechanical. “Mechanics do a tremendous job, and high availability tells that story,” said Greenhalgh. “But mechanics also need feedback from train crews, who identify and report power-robbing events when the engine under-performs.”

- **Shut Down Policy.** If temperatures are above 40 degrees, train crews are instructed to shut down locomotive engines when not in use. The policy is fully enforced in spring / summer, but late fall and winter months pose a challenge. Diesel engines balk at low temperatures and require more idling time to keep the engine warm and working.

- **Isolation Policy.** A train with empty hoppers or tanker cars needs power from fewer locomotives. Unneeded locomotives can be “isolated” until the freight cars are filled and all of the locomotives are needed to haul a heavy load. For example, on an empty fuel train traveling from Anchorage to North Pole, “isolated” locomotives may burn only 300 gallons of fuel, as opposed to the 1000 gallons used if they were engaged and pulling.

- **Idle Control Systems.** Most ARRC locomotives have some type of onboard idle-control system. Recent emphasis is on the EcoTrans auxiliary power units (APU) that are installed on nine General Purpose (GP) locomotives. The APU keeps air systems charged, warms engine oil and water, and charges the battery, so the main locomotive engine can remain off. Maintenance issues have hindered full use of the EcoTrans. ARRC’s Mechanical Department plans to resume the EcoTrans maintenance program on at least three GP locomotives this winter. The payoff could be substantial, considering the APU burns less than a gallon of fuel per hour, compared to 5-6 gallons burned by a locomotive engine. All SD70MACs are equipped with Automatic Start Stop systems (AESS), which shuts down the main engine when certain criteria (oil temp, water temp, battery charge, air pressure) are met. These devices reduce idling, which saves fuel.

- **Locomotive Operation Techniques.** Experienced engineers can engage brake and throttle techniques that take advantage of gravity and track resistance to conserve fuel.

(See “Fuel Conservation progress” on page 11)
SIGNALS: SPOTLIGHT ON SAFETY AND SECURITY

SAFETY APPROACH: FREQUENCY & SEVERITY

By Safety Director Mark Mitchell

Zero At-Risk Behavior. There is a lot of talk in the safety world about striving for zero injuries. However, zero injuries is an outcome, not a cause. More importantly, as a team we need to look at what causes a safe work environment.

The Alaska Railroad and the railroad industry have identified thousands of workplace hazards; and we know that at-risk behavior leads to injuries. This knowledge has manifested into rules, which are often the product of managers and employees who collaborate on the best solutions for avoiding workplace accidents. Yet, rules are not effective unless they are internalized by the people they are meant to protect. Each employee is in control of how he or she responds to rules; as well as to situations that are not defined by rules. If we strive for zero, then zero at-risk behaviors should be the focus.

Since 2005, Alaska Railroad employees have seen many changes to the company's approach to safety. Years back, the safety focus was nearly consumed with injury frequency, with little attention paid to severity. Compared to 2005, Alaska Railroad employees have reduced injury severity by 66%. This is a positive trend and deserves acknowledgement. Our primary goal is to minimize accidents, focusing both on reducing the number of accidents and the severity of injuries. This balanced approach offers a more realistic picture of how safe our work environments are at the railroad.

2012 is on track to be one of our worst years in terms of the sheer number of injuries. That is not good. The upside is that compared to previous years (including 2011), injuries in 2012 have been less severe.

Let’s pull together to “zero in on at-risk behaviors” and in doing so, the number of people getting hurt and the severity of those injuries will drop. By focusing on Working Together Safely, we will achieve our goals.

FUEL CONSERVATION PROGRESS ...

(continued from page 10)

Coming Soon

Developing a culture of conservation comes in part from building awareness in the form of simple reminders, says Greenhalgh. For example, a periodic bulletin from the Road Foreman of Engines will offer facts and tips to train crews. And, a sticker with fuel-saving techniques will soon be affixed near operating consoles in locomotive cabs.

Awareness is also the product of training. Fuel conservation topics and techniques will be highlighted via a new module during the annual Transportation Operating Personnel Seminar (TOPS). Participants in the next TOPS can expect conservation policy review and practical instruction during this course.

In addition to TOPS training, engineers undergo annual professional training. In 2009, ARRC lost its locomotive simulator when the lease expired. Since then, engineers travel to the Lower 48 for training. The Railroad 2013 capital budget includes purchase of a new Positive Train Control (PTC)-compliant simulator by next spring. Locomotive onboard data can be fed into the simulator to compare actual runs with an optimal “Golden Run” as a training tool, which will allow our Road Foreman to provide feedback to employees. In-house engineer training will also minimize the expense to send some 90 engineers outside for the two-week curricula — tuition, travel and lodging total about $7,000 per engineer. ARRC expects to recoup the $415,000 simulator cost in less than five years.

Further Down the Road

Two years ago, a Railroad team took a closer look at optimizing fuel delivery systems. Results validate the need for a stationary fueling facility to service the majority of train traffic; while remote fueling with mobile fuel trucks remains appropriate for quick-cycled trains (such as coal and gravel). The analysis also recommends replacing the existing fuel rack with a new updated facility equipped with fuel metering for more accurate accounting.

In the meantime, the railroad lacks automated methods for measuring fuel used by a particular train, which hampers fuel tracking. ARRC’s PTC efforts will help, eventually, as locomotives are equipped with fuel-monitoring sensors and PTC on-board computer equipment and software can be supplemented to collect data on fuel and other operating parameters.

Greenhalgh says the railroad could save nearly $200,000 per year or more simply by focusing more on fuel conservation.
In mid-September, the Alaska Railroad (ARRC) lent support to the International Snow Science Workshop (ISSW), a biennial gathering of professionals who work in the fields of snow science and winter recreation.

The Alaska Railroad sponsored this one-of-a-kind conference to include considerable staff time on the part of railroaders Dave Hamre and Bruce Gough. ARRC Avalanche Expert Dave Hamre chaired this year’s ISSW, assisted by co-chair Matt Murphy, Alaska Department of Transportation (ADOT) Avalanche Forecaster. Thanks to their commitment, ISSW was hosted for the first time in Alaska, offering a forum to merge theory and practice from nearly 650 scientists and practitioners representing 14 countries.

Held at the Dena’ina Center in downtown Anchorage, the 2012 ISSW hosted organizational meetings by such notables as the National Avalanche Center, American Avalanche Association (AAA), AAA Alaska Section, American Institute for Avalanche Research and Education (AIARE), North America Outdoor Institute, and Canadian Avalanche Association. From among the ranks of these organizations, experts submit more than 200 papers that showcase new theories and research, the latest equipment and technology, and innovative solutions to tough challenges. Most of these submissions became part of the ISSW conference curricula. For the 2012 agenda, dozens were chosen for in-depth workshops; 55 became the basis for shorter oral presentations; and the remaining 120 submissions were on display during poster sessions.

Mid-way through the conference, registrants took a break from classrooms to opt for a day-long field trip into avalanche country. ARRC South End General Roadmaster / Master Gunner Bruce Gough co-organized the excursion that began early morning September 19 when 500-plus people boarded a charter train at the Anchorage Historic Depot. First stop, Girdwood, where participants split up into groups. Some bussed to Alyeska for a tour of the resort and mountain biking, while others headed by motorcoach along the Seward Highway as DOT discussed snow/avalanche challenges along the route. Another group rode the train to Spencer, where some elected to disembark for hiking and rafting excursions. Others continued on the train to Moose Pass, while listening to Bruce Gough discuss the history and challenges of this avalanche-susceptible corridor. In Moose Pass, those on the motorcoaches swapped places with those on the train for respective briefings on the return to Girdwood.

The ISSW is an important venue for professional development, keeping practitioners like Hamre and Gough familiar with industry trends. Dave Hamre has attended since ISSW’s inception in 1976, and in fact has presented papers during four previous ISSW gatherings. Gough has attended in more recent years and plans to submit a paper in 2014.

The Alaska Railroad has certainly benefitted by sending Hamre and Gough to keep abreast of evolving avalanche detection technologies. By remaining focused on proven technologies, the railroad can avoid the expense of experimenting with yet-to-be-vetted methods, noted Hamre. They also glean ideas about snow-handling. For example, at a previous ISSW, Gough learned enough from New Zealand experts to facilitate an ARRC investment in modifying excavators, which has dramatically decreased clean-up time and increased track availability.
United Way Campaign gets underway

The Alaska Railroad Employee United Way (UW) Campaign is underway and the volunteer team aims to give every employee an opportunity to learn about UW and to make a pledge if they wish.

The campaign kicked off with a food drive September 4-17. Railroaders filled eight barrels that were placed at employee hubs. Donations tallied about 513 pounds of food — an exceptional effort that will make a big difference! The Alaska Food Bank and local food pantries are coping with lower donations coupled with an increase in requests for assistance, noted Pam Reil, who organized the food drive as a second-year UW volunteer. “Alaska’s food banks are locally-oriented, so the food we collect here, stays here,” added Reil.

“Our gifts are powerful,” said Rosezetta Proctor, who marks seven years chairing the UW campaign. “When we support United Way, we make our communities better places to live. We set the example.”

Over the years, Proctor has heard many railroaders say that they participate in United Way because it offers a trusted and convenient way to give back to the communities we serve. United Way is known for vetting the charitable organizations it represents. Charities must pass muster when it comes to delivering needed services with proven results, and with financial accountability.

Likewise, the Alaska Railroad’s UW volunteer team seeks to set the example for efficient use of limited campaign resources. For example, the United Way pledge sheets are inserted into this newsletter, as opposed to spending scarce funds on a separate mailing. “Also, based on experience from previous years’ campaigns, we are focusing on efforts that are most effective at building awareness and encouraging participation,” said Proctor.

Collecting prizes to thank donors with a drawing has always been appreciated. Dozens of great prizes will be drawn and awarded at the end of the campaign in early November. Prizes include the coveted 25,000 Alaska Airline miles, an exquisite high-end vase, inflatable “bouncer” party rentals, H2Oasis waterpark passes, hotel overnights, dinner certificates, gifts and collectibles, artwork, and much more.

The UW volunteer team is brainstorming on several other no- to low-cost fun ways to engage employees, raise awareness, build camaraderie and support United Way, explained Proctor. One luncheon and one coffee service is planned. Events and programs will be publicized through company email, on break room bulletin boards and on the employee web site.

Eva Creek Wind Project wrapping up

The Alaska Railroad’s equipment transportation support of Golden Valley Electric Association’s (GVEA) Eva Creek Wind Project is coming to a close. All 12 of the turbines were hauled by train without incident to Ferry, where they were trucked to the Eva Creek site. ARRC is currently assisting with the demobilization phase, helping to transport equipment and supplies out of the project site.

Turbines are up at Eva Creek site. (Photo courtesy of GVEA)

Far left: In the Healy Yard, one of the last turbine tower sections is positioned for rail transport to Ferry. Left: ARRC project Manager Lorri Winchester. (Photos by Judy Patrick)
557 PROJECT GAINS EXPERTISE, LEADERSHIP

The new non-profit Engine 557 Restoration Company (Restoration Co.) conducted an initial organizing meeting on August 16, adopting articles of incorporation and discussing a fund-raising plan. Ultimately, 557 rehab aims to return the historic locomotive to service on the Alaska Railroad (ARRC).

On-hand to open the meeting were the three original incorporators including ARRC VP Corporate Affairs Wendy Lindskoog, ARRC VP Finance Bill O’Leary, and Candace Winkler from the Alaska Community Foundation (ACF). Earlier ACF established a fund to receive donations for the project.

Incorporators turned the reins over to the inaugural Board of Directors, led by Patrick Durand serving as president. Board members discussed challenges ahead and their contributions to the project:

- Patrick Durand, an historian of Alaska’s railroads, is volunteering his time and leadership.
- Richard “Dick” Morris has been on the Museum of Alaska Transportation & Industry board.
- Jim Posey offers a link to Anchorage government as Director of Municipal Light & Power.
- Mike Porcaro of Porcaro Communications pledged his firm’s support for publicity.
- John Combs, founder of the unofficial, but often-referenced website on the Alaska Railroad — www.alaskarails.org. He added a section to document the restoration process.
- ARRC’s VP Mechanical & Transportation Pat Shake offers a link to ARRC technical expertise.
- ARRC VP Business Development Dale Wade and former ARRC VP Business Development Steve Silverstein are using industry connections as co-chairs of the fund-raising committee.

Honoraty board members include:

- Jim Jansen, Chair, Lynden, Inc. Co-purchased the 557 and donated it to the Alaska Railroad.
- Ed Rasmuson, Chair, Rasmuson Foundation.
- Chris Aadnesen, President/CEO of ARRC.

The 557 project is a $1 million effort, including the Jansens’ $250,000 purchase and Rasmuson’s $350,000 matching grant. Board members are working to raise the remaining $400,000. Tax-deductible donations of $25+ can be made to: Alaska Community Foundation Engine 557 Fund 400 L Street, Ste 100 • Anchorage, AK 99501 or online at www.alaskarails.org.

ERP SYSTEM PROJECT ROLLS ALONG

The ERP Project Team has been busy throughout the summer, working with the Denovo/JD Edwards Implementation Team, defining the requirements, configuring, and testing the new system. The new JD Edwards system will replace the Railroad’s existing financial, procurement, human resources, payroll, project costing and asset management systems. Areas many employees will see changes include:

- Time Reporting (will be online for many employees)
- Employee Self Service (Payroll and Benefits information)
- Account Coding (The General Ledger Chart of Accounts is changing)
- Purchase Requisitions
- Expense Reports and PCARD Coding (will be online)
- Project Cost Reporting and Management

The ERP team has expanded to include more than 50 participants, each contributing their valuable skills and knowledge to the effort. The project is currently in the testing phase, with implementation scheduled for the new system’s core functionality at year-end, and completing the implementation of all ERP system modules by mid-2013.

You can look forward to more frequent communications about the project and new system over the next few months, as we introduce some of the new system’s features, outline any business process changes associated with the new system, and get everyone trained.

Thanks to all of the team members, especially the project team leads who have been on the project more than a year (do we want to list them?), who folks have worked so hard and made personal sacrifices for the project.

For more information, don’t hesitate to contact Mike Schuh, ERP Project Manager, at schuhm@akrr.com or 770-7206.
2013 PRINT ART FEATURES COAL, SEWARD

The 2013 commemorative annual poster/print will be available at these sale-and-signing events:

- **SEWARD (Tentative):** Nov. 30, 5-9 p.m. at the Dale Lindsey Intermodal Terminal in conjunction with the Holiday Arts & Crafts Fair.

- **FAIRBANKS:** Dec. 8, 10 a.m. to 2 p.m. at the Fairbanks Depot

- **ANCHORAGE:** Dec. 15, 10 a.m. to 2 p.m. at Anchorage Historic Depot.

Entitled *Moonlit Resurrection Run* the oil painting depicts an Alaska Railroad coal train arriving in Seward in the evening. A full moon shines on Resurrection Bay and the Kenai Mountain range offers a stunning backdrop.

“I wanted to show the railroad’s role as an economic engine, supporting both resource development and tourism industries. The Alaska Railroad is at the forefront, working as a catalyst for different industries operating side-by-side in harmony,” said Watkins.

To reserve a 2013 signed and numbered print, the form below must be completed and returned to Stephanie Wheeler, Corporate Affairs, by **Nov. 15**.

Even if a print number was reserved in the past, in order to keep a preferred print number, employees must return a reservation form by the deadline. Print reservation numbers from previous years will NOT be honored. Numbers 1-25 are not available. If you do not want a particular print number you do not need a reservation.

---

2013 ALASKA RAILROAD PRINT RESERVATION FORM

Return by November 15 by company Mail to Stephanie Wheeler, Corporate Affairs, OR Fax to 265-2365.

<table>
<thead>
<tr>
<th>DEPARTMENT</th>
<th>ANCHORAGE</th>
<th>FAIRBANKS</th>
</tr>
</thead>
<tbody>
<tr>
<td>PHONE</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>NAME</th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th>RESERVE PRINT NUMBER:</th>
<th>SECOND CHOICE NUMBER:</th>
<th>THIRD CHOICE NUMBER:</th>
</tr>
</thead>
</table>

---

SIDINGS: EMPLOYEE HAPPENINGS

**EARLY WARNING: BENEFITS ‘OPEN WINDOW’**

The Alaska Railroad’s year-end benefits open enrollment period (mid-November to mid-December) is an opportunity to make changes and additions to your health and life insurance, and Flex Spending account enrollments effective January 1. All employees who are benefits-eligible will receive an “Open Window” home mailing with information on 2013 premiums, plan changes, and current enrollment status.

Now is a good time to evaluate your situation and prepare for Open Window:

Has your family changed? Have kids left the nest or become too old for coverage (age 26 for the Health Plan)? Have financial obligations gone up or down? Has your spouse gained, lost or changed health insurance coverage? Such changes may impact your benefits lineup.

One 2013 change is a lower maximum for Health Care Flexible Spending Accounts. Under Health Care Reform, the maximum decreases from $5000 to $2500 (the ARRC Plan limits some groups to $1500).

Life Insurance needs change for most of us over our lifetimes. Is your ARRC life insurance appropriate for this stage of your life? If you want to add or increase life insurance after initial eligibility, you have to show the insurance company that you are a good risk, which requires a written application and some time. If you think life insurance adjustments are needed, give HR a call at 265-2220 ASAP to discuss coverage options, actions and time required.

Be sure to check your postal mail and emails timely during this important season. Don’t let the Open Window train leave you at the station!
GREAT SHOT! PHOTOS ON THE RAIL
EMPLOYEE PHOTO SUBMISSIONS ELIGIBLE FOR $200 DRAWING; SEEKING PHOTOS FOR 2012!

Winter is on its way! Engineering Technician Mike Grunwald captured a southbound coal train passing Colorado Siding in mid-December.

Alaska Railroad employees are encouraged to submit railroad images for inclusion in the All Aboard newsletter by emailing photo files to Stephenie Wheeler at wheelers@akrr.com. At year’s end employees who submitted a photo will be entered into a drawing to receive $200 in gift certificates. If you have questions, contact Wheeler at (907) 265-2671.