Centre County Natural Gas Task Force  
Meeting Notes  
July 9, 2012 at 4:00 p.m.  
Location: Central PA Institute of Science and Technology  
540 North Harrison Road, Pleasant Gap, PA 16823

Present:  Susan Benedict, Jessica Bilger, Dan Fisher, Greg Myers, John Ferguson, Ken Hall, Steve Greer, Stan LaFuria and Tim Ziegler.

Absent:  Bob Norbeck, Bob McDaniel, Jeff Kern, and Mike Savage.

Sub-Committee Members Present:  John Spychalski, Joe Urbanick, Todd Taylor, Art Dangel, Dean Lawrence, Emily Gette-Doyle and Lynn Herman.

Sub-Committee Members Absent:  Mike Schaul, Steve Lyncha, John Rodgers, Matt Blymire, Mary Carol Frier, Bruce Snyder, Colleen Williams, Mike Welch, Joe Hart, Andrew Sicree, Butch Davey, Matt Hall, Dick Mulfinger, Jamie Walker, Alison Amaismeier, Rob Balsamo and Louis Glantz.

Liaison Members Present:  None Present

Liaison Members Absent:  Doug D’Amore, Dan Vilello, Paula Ballaron and Rick Lamkie

Ex Officio Members Present:  Sue Mascolo for Rep. Conklin


County Resource Persons:  Sue Hannegan

Centre County Commissioners:  Michael Pipe


Total Number Present:  26

The meeting was opened by Chairman Susan Benedict at 4:00 p.m.; with a quorum present.

Welcome and Introductions:  All meeting attendees provided a short introduction of themselves.

Committee Updates:  Matt Blymire, Columbia Gas of PA, was appointed to the economic development sub-committee; Emily Gette-Doyle, Christoff Mitchell Petroleum, to the environmental committee; and Matt Wise for Senator Corman as ex officio member. Bob Griffith has offered his resignation from the environmental committee.

Summer Intern: Josh Sherry – Energy, Business and Finance major at PSU will be contributing research and composition for a guideline document on the economics of using natural gas appliances, research of private and public funding options for extension of pipeline infrastructure in the county, and development of a prototype process for the extension of natural gas service lines in the county.

Declarations of Conflict of Interest and Ex Parte Communication:  In order to remove any doubt of impropriety, the following task force and/or sub-committee members have declared interests.
Bob McDaniel – Business Development Coordinator, G.O. Hawbaker, Inc. supplying contract work for drilling companies; Susan Shoemaker Benedict -- property owner with expected gas industry development; Steve Greer – Senior Project Manager with Arm Group, Inc., sub-contractor/consultant to various companies involved with the gas drilling industry; Ken Hall – actively involved with property lease management; Greg Myers -- Senior Engineer/Senior Geologist, DMS Environmental Services, providing services to the oil and gas industry; Joe Hart – employed by HRT, Inc. & PA Brine, who serve as sub-contractors to the natural gas industry; John Ferguson – employed by Columbia Gas of PA; Dean Lawrence – realtor with commercial real estate activity of interest to the natural gas companies; John Rodgers – banker with Fulton Bank providing financial services to the gas industry; Steve Lyncha -- engineer with HRG providing consulting and engineering services to the industry, and Colleen Williams working in business development for HRG resulting in frequent consultations with the industry.

Approval of Prior Meeting Notes:

- April 9, 2012
- May 14, 2012
- June 11, 2012

On a motion made by Ken Hall and seconded by Jessica Bilger, all three prior meeting notes, as listed above, were approved as presented.

Announcements: John Ferguson announced that Columbia Gas of PA will be hosting a Chamber of Business and Industry of Centre County breakfast. The topic of the breakfast meeting (TBA) will be the extension of natural gas service in Centre County. When available, the announcement for the program will be distributed to everyone.

Citizen Comment: None offered.

Presentation: “Marcellus Shale Railroad Impacts” by Todd Hunter - Director of Marketing North Shore Railroads - Operators of Nittany Bald Eagle Railroad.

The North Shore Railroad is the long term operator of the SEDA-COG Joint Rail Authority properties. In that capacity North Shore Railroad operates, markets, and maintains the Nittany and Bald Eagle Railroad which operates through Centre County. Todd Hunter, Director of Marketing for North Shore Railroads presented the following interesting facts about railroad activity in Centre County related to the natural gas industry.

- In 2011, NBER Railroad carried 31,000 loaded train cars – up significantly from prior years.
- Each loaded train car holds the equivalent of 4 truck loads of material.
- Centre County ranks third among shale counties in the SEDA-COG region for quantity of product shipped by rail. This is largely due to the shipment of stone ballast.
- 61 Centre County suppliers contribute products or services to the North Shore rail operations.
- Marcellus Shale Impact on rail service in SEDA-COG region
  - First shipment was in 2008 for sand to the South Avis Yard
  - By 2012, 8000 car loads have been carried largely in Lycoming and Clinton Counties.
- Marcellus Shale Impacts on the NBER Railroad
  - In 2011, 1.26 million tons of freight originated in Centre County.
  - Currently, 7 Centre County businesses / industries ship via NBER Railroad.
  - Centre County facilities served by rail employ 650 persons.
  - Largest indirect shipper in Centre County = GOHawbaker. An indirect Marcellus Shale shipper works with the natural gas industry but does not produce a product that goes directly into the well in the original shipped form.
  - Happy Valley Blended, Pleasant Gap, works with several industries and expects greater involvement with the natural gas industry in the future.
  - Blazer Enterprises in Union Township is now serving as a transload facility: transferring product carried by rail to truck transport.
- The Miller Siding in Milesburg was just recently completed providing 5,023 feet of new track and track is now under construction to expand the Bellefonte yard.
**Old Business:** None offered.

**New Business:** Due to the decrease in natural gas activity in the county, a motion was made by Greg Myers and Seconded by Ken Hall to adjust our meeting schedule to every other month dependent upon the procedures established in the bylaws and upon concurrence by the Board of Commissioners. This motion followed a discussion of three options: remain monthly consistent with the current schedule, adopt a bi-monthly schedule, or consider quarterly meetings. The motion in favor of bi-monthly meetings was approved with the contingencies stated above.

NOTE: The bylaws (Article XII, Section 1) state that regular meetings will be held on a mutually agreed upon day, time and place. The Board of Commissioners, by whose action the task force was formed, concurred with the decision to adopt a bi-monthly meeting schedule.

Subsequent to the first motion (above), Tim Zeigler made a motion to “skip” the August meeting and begin the bi-monthly meeting schedule in September. This motion was seconded by Jessica Bilger and approved.

**Committee Reports:**


**Education:**
- On Thursday, July 12th, 8 people will graduate from Shale-Net – a program conducted in partnership with CareerLink with classes conducted at CPI. Of the eight graduates, six have passed their CDL exams and a few have secured employment.
- The MEET-U Committee would like suggestions for educational opportunities.
- Groundbreaking for the CPI Transportation Training Center will be held in August. With greater capacity, CPI will be able to expand their diesel program and offer CNG training for conversions and maintenance.

**Environment / Infrastructure:**
- CGG Veritas is expected to return to Centre County to conduct more seismic testing in Fall 2013.
- Range has withheld further development in Centre County until they receive results of the seismic testing already completed.
- Pipeline infrastructure is needed.

**Public Policy, Planning and Legal Issues:** No Report

**Meeting Schedule:**
- CCNGTF: September 10, 2012 at 4 p.m. – CPI, 540 North Harrison Rd, Pleasant Gap, PA.
- Economic Dev. Sub-Committee: July 12th and August 9th at 7:30 a.m. – Willowbank Bldg. 3rd Floor
- Environmental Sub-Committee: August 2nd at 9 a.m. – Willowbank Bldg. 3rd Floor

**Meeting Adjourned:** The July meeting of the Centre County Natural Gas Task Force was adjourned at 4:55 p.m.

**Attached Document:**
- Presentation: “Marcellus Shale Railroad Impacts” by Todd Hunter - Director of Marketing North Shore Railroads - Operators of Nittany Bald Eagle Railroad.
North Shore Railroad

Locally owned and operated freight railroad company
Contributors to the local economy

Who Are We?
Who We Are

- North Shore Railroad Company is an independent, locally owned, private freight railroad company
- We are the operator for the SEDA-COG Joint Rail Authority, a public/private partnership for 5 railroads
- Current agreement with the JRA expires June 30, 2017
- We are also the operator for the private group of a 6th railroad in Union County (Non-JRA)
- We have been in business for 27 consecutive years
- We employ 100 local persons at family sustaining wages
- Our annual payroll and benefits total approx. $6 million
- In 2011, we logged 200,700 employee hours

Where We Are

[Map of the area served by North Shore Railroad]
What We Do

- We operate, maintain, and market a 250 mile track network and provide customer service for the network's 8 county area in Central Pennsylvania
- In 2011, we handled approx. 31,000 loaded railcars
- Annually, we take 256,000 tractor trailer trucks off the highway
- Over the years, we have grown the business from a handful of customers to over 100 customers
- We serve these customers in an 8 county area in Central Pennsylvania
- We are known for consistent, reliable railroad service in Central Pennsylvania
- In 2011, we purchased $6.2 million of goods & services

We Purchase Local Goods and Utilize Local Contractors

County Map of Pennsylvania

Counties highlighted in color are counties where the railroads have used vendors. The list below gives a number of vendors by county, with the JRA member counties in bold text:

- Allegheny – 32
- Beaver – 1
- Berks – 7
- Blair – 12
- Bucks – 5
- Cambria – 4
- Carbon – 1
- Centre – 61
- Chester – 4
- Clarion – 1
- Clearfield – 2
- Clinton – 17
- Columbia – 25
- Cumberland – 2
- Dauphin – 22
- Delaware – 2
- Erie – 1
- Fayette – 1
- Franklin – 1
- Indiana – 2
- Jefferson – 2
- Juniata – 4
- Lackawanna – 1

- Lawrence – 1
- Luzerne – 7
- Lycoming – 134
- Mercer – 3
- Mifflin – 25
- Monroe – 1
- Montgomery – 1
- Montour – 10
- Northampton – 1
- Northumberland – 105
- Perry – 1
- Philadelphia – 16
- Pike – 1
- Potter – 1
- Schuylkill – 5
- Snyder – 28
- Union – 30
- Wayne – 2
- Washington – 4
- Warren – 2

Companies in JRA Counties Utilized: 419
Total PA Companies Utilized: 600
**What We Do: Freight Train Activity**

- We own 25 locomotives and provide up to 19 locomotive crew starts per day that vary by location.
- Our train crews ran approx. 120,000 miles in 2011.
- We are an integral part of the nationwide rail network, and interchange with Norfolk Southern & Canadian Pacific.
- We are a Federally regulated company, and adhere to stringent safety, hazmat, drug and alcohol, and training standards.
- Our primary focus is safe, efficient service to our customers.

**What We Do: Maintenance of Way**

- We are responsible for maintaining the track network in the 8 counties we serve.
- We utilize our manpower and equipment as well as outside railroad contractors.
- Total MoW Expenditures in 2011: $4,028,652
- Total MoW Expenditures in 2010: $3,549,230
- Total MoW Expenditures 2007-2011: $16,713,709
We Pay Taxes

- PA State Payroll Tax for 2011 - $134,500
- PA Local Payroll Tax for 2011 - $70,100
- PA Corporation Taxes for 2011 - $757,494
- **Total PA Taxes:** $962,094

- Federal Payroll Tax for 2011 - $542,000
- **Total Federal Taxes:** $1,226,219

- **Total Taxes Paid in 2011:** $2,188,313

Awards We Have Received

- [Image of awards]

North Shore Railroad, March 2012
Awards We Have Received

- 2003 & 2004 ASLRA (American Short Line Railroad Assoc.) Marketing Award
- 2004 Railway Age Shortline of the Year (NBER)
- Norfolk Southern Marketing award in 2004: North Shore Outstanding Business Development
- 2005 named one of PA Business Central Newspaper's “Top 100 Small Businesses” in Central Pennsylvania
- Norfolk Southern Marketing award in 2006: Nittany & Bald Eagle Railroad Marketing Initiative Award from Metals & Construction Group
- Norfolk Southern Marketing award in 2007: Nittany & Bald Eagle Railroad Marketing Initiative Award from Paper, Clay & Forest Products Team

Awards We Have Received (cont...)

- Norfolk Southern Marketing award in 2008: North Shore Railroad System 250² Platinum Award for Increased Volumes
- Norfolk Southern Marketing award in 2008: North Shore Railroad System Marketing Initiative Award from Metals & Construction Group
- Norfolk Southern Marketing award in 2008: North Shore Railroad System Marketing Initiative Award from Chemicals Team
- (No Norfolk Southern Short Line Meeting held in 2009)
- Norfolk Southern Marketing award in 2010: Lycoming Valley Railroad Marketing Initiative from Metals & Construction Group
- Norfolk Southern Marketing award in 2010: Lycoming Valley Railroad 250² Platinum Award for Increased Volumes
Awards We Have Received (cont...)

- 2010 ASLRRA (American Short Line Railroad Association) Marketing Award
- Norfolk Southern Marketing award in 2011: Lycoming Valley Railroad Marketing Achievement for Most Customer Focused Short Line from Metals & Construction Group
- Norfolk Southern Marketing award in 2011: Lycoming Valley Railroad 250² Platinum Award for Increased Volumes
- Norfolk Southern Marketing award in 2011: Nittany & Bald Eagle Railroad 250² Platinum Award for Increased Volumes
- 2011 Outstanding Service Recognition Award from the Greater Susquehanna Valley YMCA - Sunbury Branch
- 2006-2010: Various **Jake Awards with Distinction** for Achieving a Perfect Safety record with no reportable injuries

Our Mission Statement

- To be the most customer focused and safest transportation system possible
- To provide quality regional rail freight service to customers in North Central Pennsylvania
- To conduct our business with the highest degree of integrity and professionalism
- To be responsible civic partners with the communities we serve
Marcellus Gas Impact

- First car handled August 2008
- Exceeded 8,000 car loads by 2012
- Most Marcellus rail activity in Lycoming and Clinton Counties
- Rail site demand peaked in 2011
- Severe shortage of rail served sites with proper zoning, highway access, and track
- Speed to get set up is of the essence

Marcellus Gas Impact, Cont.

- On LVRR- new since 2008
- 4 “open” Frac sand transloads
- 3 “closed” Frac sand terminals
- 1 Hydrochloric Acid terminal
- 1 base oil transload
- 2 “down-hole” pipe terminals
- 3 “line pipe” yards
- 1 plastic pipe terminal
- 500+ cars of sand on hand every day!
Marcellus Gas first train of sand to South Avis Rail Yard

Marcellus Gas Impact Sand terminal
Marcellus Gas Impact
Sand terminal - Silos

Sand storage “flat” 10,000t
Marcellus Gas Impact
Down hole pipe

Marcellus Gas Impact
Line pipe
Marcellus Gas Impact
Plastic pipe

Marcellus Impacts on Nittany & Bald Eagle Railroad

- Castanea- 1 new Hydrochloric Acid transload
- Castanea- W SP (Water Soluble Polymers) plant serving the oil & gas industry
- Wingate- Blazer Enterprises base oil transload. Sand terminal under development
- Tyrone- Major terminal under development with Smith Transport.
- Titan Energy Park in former Cerro plant
Nittany & Bald Eagle Railroad

- 2nd largest operation of North Shore Railroad Companies.
- 12 local employees.
- Serves Blair, Centre, and Clinton Counties.
- 7.0 Million gross tons of freight (2011 data) including overhead trains.
- 1.26 Million gross tons originated or terminated locally.

- Serves local industry
- Lost all 3 major rail customers in 2 years 2002-2003- Corning Glass, International Papers, and Mead Westvaco.
- Rebuilt traffic base (on going effort) with new and expanded customers at all locations except Corning site.
- Both private operator and SEDA-COG JRA investing in railroad for the future
Nittany & Bald Eagle Railroad

SEDA-COG JRA/NBER job data- Centre County Specific:
- Track miles- 54
- Customers- 7
- Jobs at facilities we serve in Centre- 650
- Marcellus Shale directly related customers- 1
- Marcellus Shale indirect customers- 3

2012 Track Expansion projects-
- Blair County: 3,572 ft of track + 5 new switches, 2 new sidings.
- Centre County-Milesburg: Miller Siding 5,023 feet of new track + 2 switches.
- Centre County-Sunnyside Yard tracks: 5,428 feet of new track + 6 new switches.
- Tallyrand Bridge-Bellefonte: Rebuild bid to be let in June. $700K project.
Nittany & Bald Eagle Railroad

G O Hawbaker White Rock Quarry

- 13 year construction project, 8,713 ft of track completed in 2007.
- G O H added an additional track in 2010
- Largest facility of its type in central PA.
- Now handles: aggregate, rock salt, coal, asphalt, recycled asphalt, and scrap shingles
Nittany & Bald Eagle Railroad

Other customer expansions:
- Happy Valley Blended-Pleasant Gap
- Blazer Enterprises-Wingate
- Graymont Lime-Pleasant Gap
- All Lock Haven area customers have expanded.
- Additional Ag products customer recently added at Tyrone
Summary

- Rail is no longer a dying industry locally and nationally!
- Environmentally friendly mode of transport.
- A model public-private partnership example.
- Locally owned and managed.
- Preparing for additional growth both Marcellus related and non-Marcellus!

Questions?