To Lease or Not to Lease:

Reducing Liability by Implementing CSX's RD-2 Prior to Accepting a Lease

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Railroad Environmental Conference - 2017

Agenda

- Introduction
- Background
- RD-2 Process Development
- Case Studies
- Key Take Away Messages
- Questions/Discussion

Introduction

- Thousands of Leased Properties
- Historically Environmental Dept. not involved in review process
- Improper lessee operations led to millions in liabilities
- Leased properties are also a major source of revenue
- Need an integrated process that balances environmental controls and business needs

Background

Examples of Liabilities Include:

- Poor screening improper siting = dangerous goods stored too close to residential areas
- Inadequate lessee BMPs led = significant environmental impacts which eventually had to be addressed by RR
- Lack of oversight resulted in un-allowed dangerous goods to be stored on RR property
- RR's have spent millions in clean-up costs addressing these issues.

Development of the RD-2 Process

STEP 1

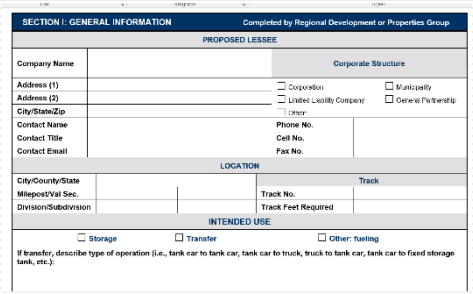
Fill out RD-1 Form

LAND AND/OR TRACK LEASE SITE ASSESSMENT SURVEY FOR HAZARDOUS MATERIALS, SUBSTANCES, AND WASTES

This form is to be completed by CSXT Regional Development, Properties Group, and CSXT Environmental

STEP 2

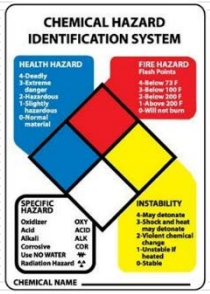
Review General Information



SECTION I: GENERAL INFORMATION	Completed by Regional Development or Properties Group
PROPOSED LESSEE	
Company Name	Corporate Structure
Address (1)	☐ Corporation ☐ Municipality
Address (2)	☐ Limited Liability Company ☐ General Partnership
City/State/Zip	☐ Other:
Contact Name	Phone No.
Contact Title	Cell No.
Contact Email	Fax No.
LOCATION	
City/County/State	Track
Milepost/Val Sec.	Track No.
Division/Subdivision	Track Feet Required
INTENDED USE	
☐ Storage ☐ Transfer ☐ Other: fueling	
If transfer, describe type of operation (i.e., tank car to tank car, tank car to truck, truck to tank car, tank car to fixed storage tank, etc.):	

STEP 3

Provide Commodity Information



STEP 4

Complete Site Description

STEP 5

Assess Additional Property Conditions

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STEP 2

RD-2 Process: Review General Information

SECTION I: GENERAL INFORMATION			Completed by Regional Development or Properties Group	
PROPOSED LESSEE				
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Address (1)			☐ Corporation ☐ Municipality	
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INTENDED USE				
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STEP 3 — *RD-2 Process: Provide Commodity Information*

Chemical Name: 1,1,1 Trichloroethane

Hazard Class:

CAS Number	UN/NA Number	DOT Hazard Label	USCG CHRIS Code
71-55-6	2831	Poison	TCE

NFPA 704

Diamond	Hazard	Value	Description
	Health	2	Can cause temporary incapacitation or residual injury.
	Flammability	1	Must be preheated before ignition can occur.
	Instability	0	Normally stable, even under fire conditions.
	Special		

(NFPA, 2010)

NIOSH Pocket Guide
Methyl chloroform

International Chem Safety Card
1,1,1-TRICHLOROETHANE

General Description

A colorless liquid with a sweet, pleasant odor. May irritate skin, eyes and mucous membranes. In high concentrations the vapors may have a narcotic effect. Nonflammable, but may decompose and emit toxic chloride fumes if exposed to high temperatures. Used as a solvent.

- ✓ **Quantity Car Loads to be Handled (per month)**
- ✓ **Average Storage Time (hours)**

STEP 4 RD-2 Process: Complete Site Description

Does it look like this?

Or like this?

Or mixed use?

STEP 4

RD-2 Process: Complete Site Description (continued)

Are there any Residences, Apartment Complexes, or Shopping Centers within:

250 Foot Radius of the Site ☐ **Yes** ☐ **No**

500 Foot Radius of the Site ☐ **Yes** ☐ **No**

Are there any Schools, Hospitals, or Nursing Homes within:

500 Foot Radius of the Site ☐ **Yes** ☐ **No**

1,000 Foot Radius of the Site ☐ **Yes** ☐ **No**

STEP 5

RD-1/2 Process: Assess Additional Property Conditions

No.	Criteria	Site Meets?
1	Track should be located in an area that minimizes exposure to people and the environment in the event of a release.	
2	Track must be 100 feet from passenger served track, 100 feet from Class 3, 4, 5, or 6 track, and 50 feet from Class 2 track.	
3	Track must be 100 feet from major highways or other heavily travelled roads.	
4	Track must be 500 feet from schools, hospitals, and nursing homes.	
5	Tracks must be 250 feet from residences, apartment complexes and shopping centers.	
6	Track must be 100 feet from non-lessee occupied industrial buildings.	
7	Track must be 100 feet from any surface water ways.	
8	Track must be of suitable condition and strength, as determined by Engineering Department, to safely support continued handling of loaded railcars.	
9	Track lease agreement must be signed. Hazardous material, environmental, and liability clauses must not be altered.	
10	Track must be prepared and transfer operations performed in accordance with the requirements set forth in the U.S. Department of Transportation Regulation 49 CFR Part 174, Subpart C.	

Case Study #1:
Proposed Ethanol Terminal

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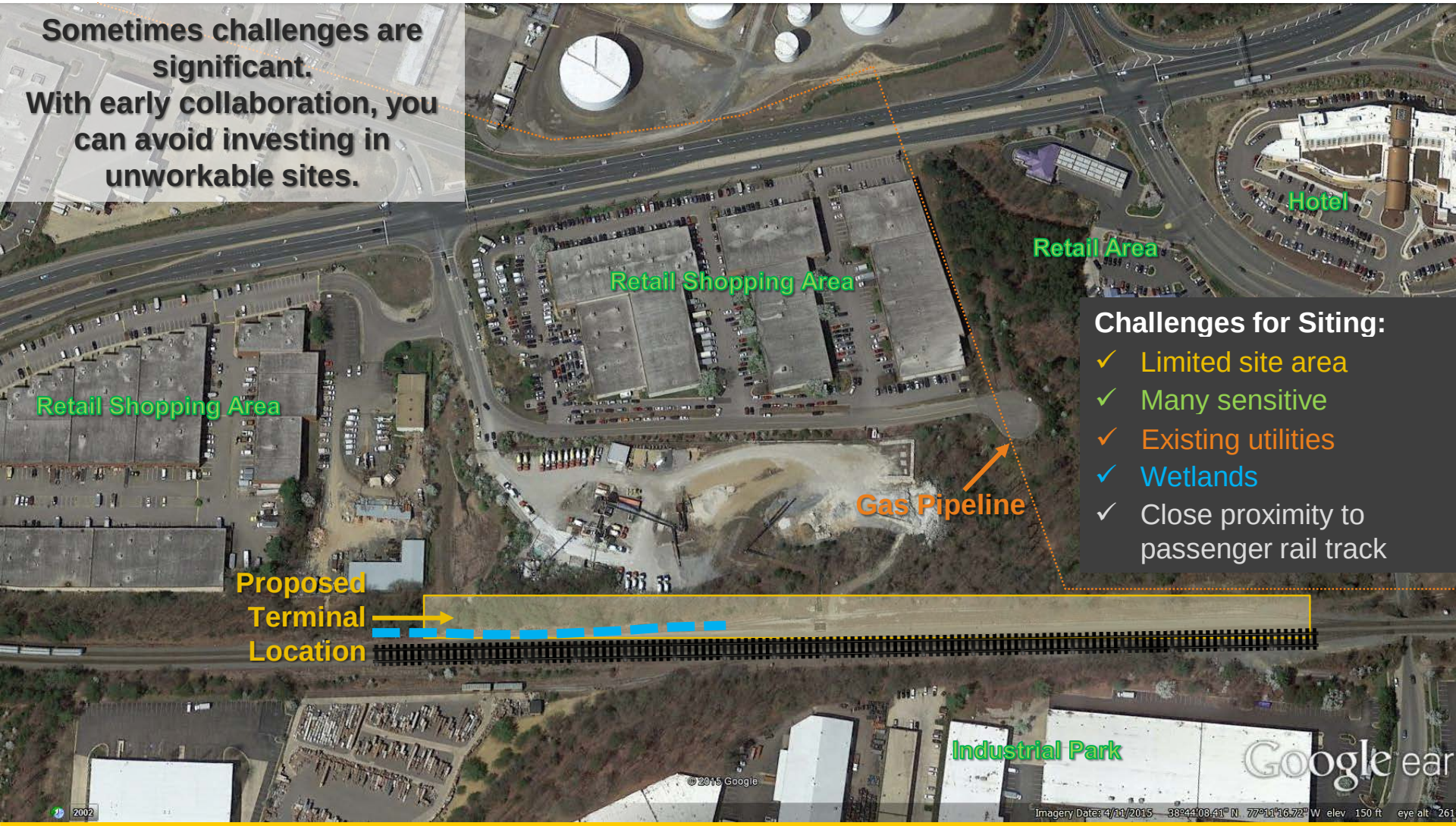
Case Study #1:
Proposed Ethanol Terminal (continued)

Sometimes challenges are significant.
With early collaboration, you can avoid investing in unworkable sites.



Challenges for Siting:

- ✓ Limited site area
- ✓ Many sensitive
- ✓ Existing utilities
- ✓ Wetlands
- ✓ Close proximity to passenger rail track

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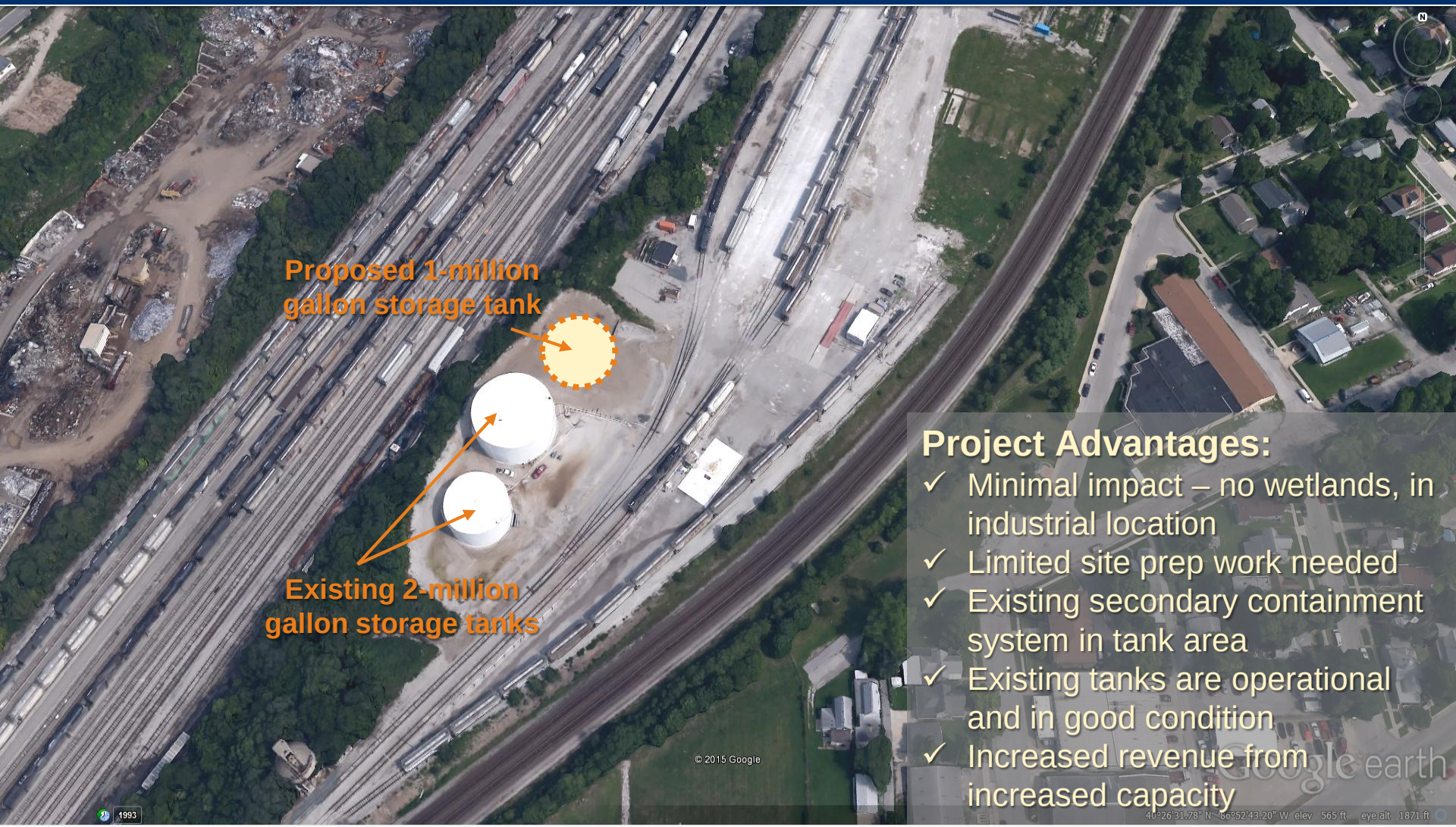
Case Study #2:
Expanded Urea Ammonia Nitrate Terminal



Project Advantages:

- ✓ Minimal impact – no wetlands, in industrial location
- ✓ Limited site prep work needed
- ✓ Existing secondary containment system in tank area
- ✓ Existing tanks are operational and in good condition
- ✓ Increased revenue from increased capacity

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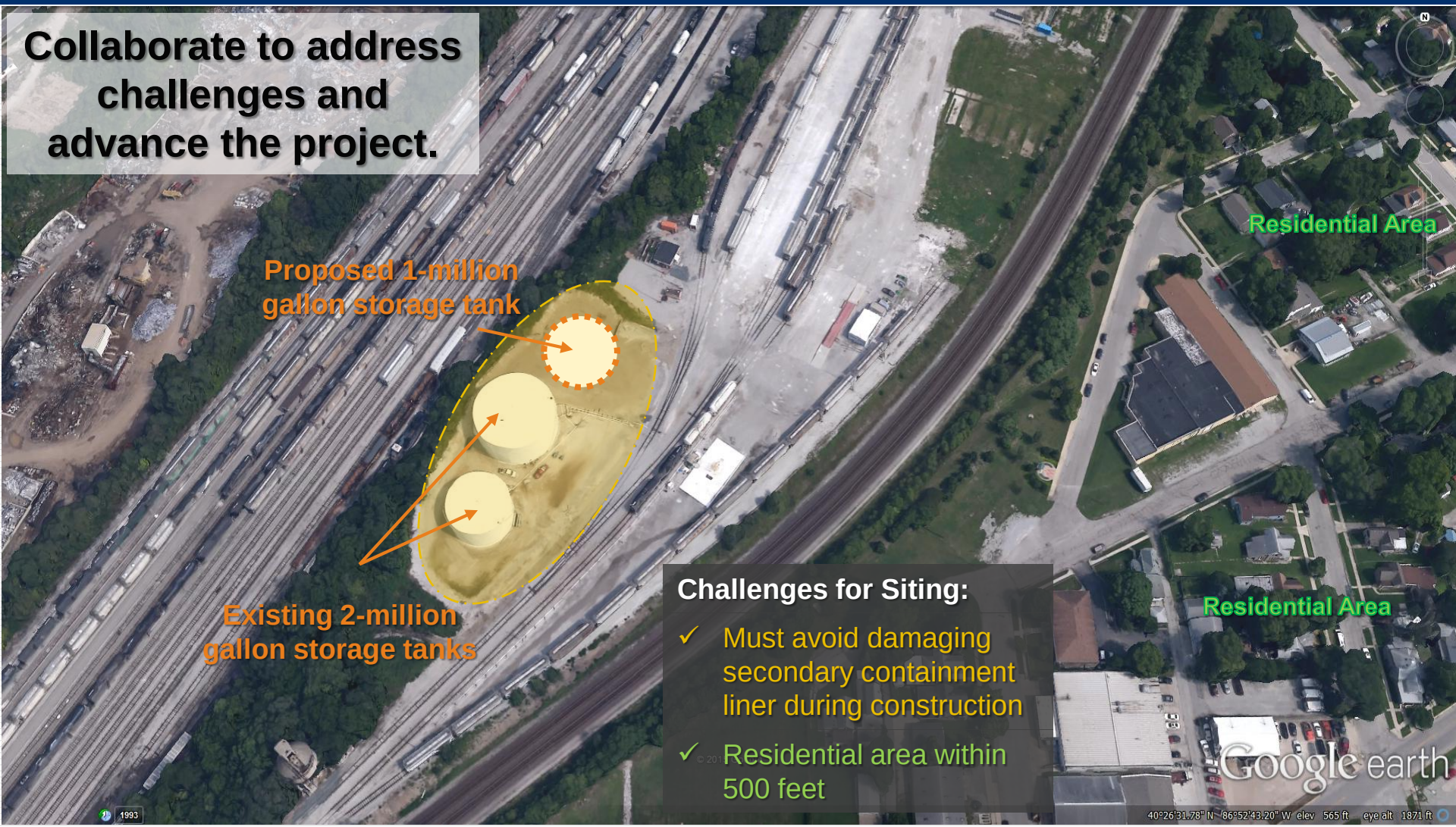
Case Study #2:
Expanded Urea Ammonia Nitrate Terminal (continued)



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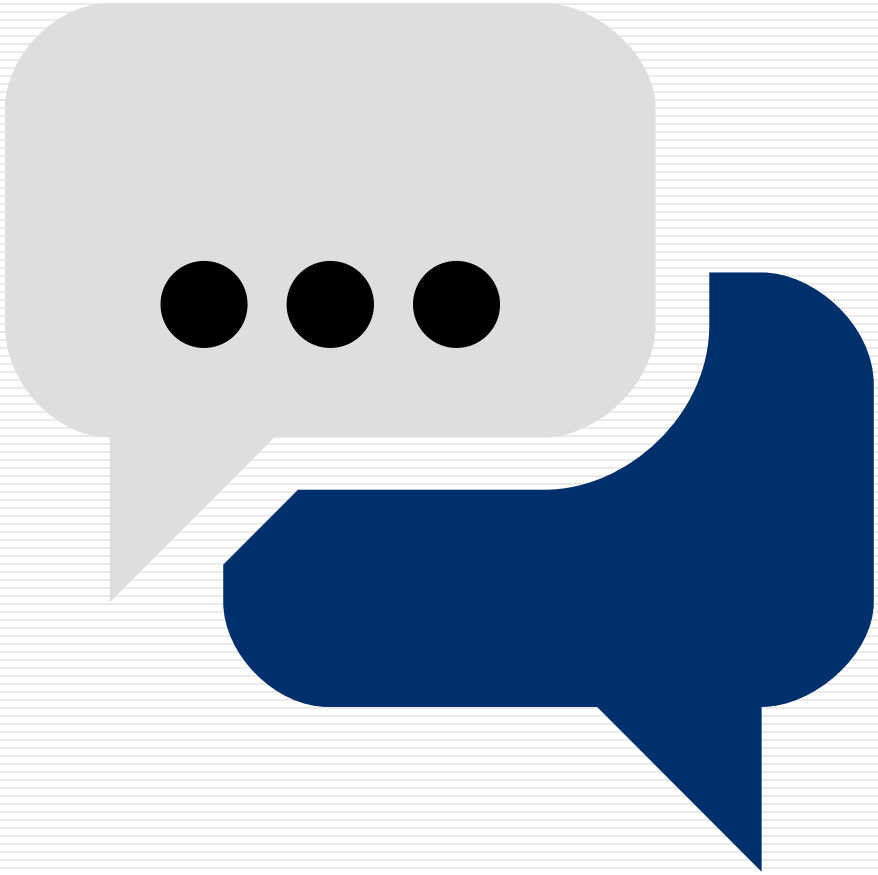
Key Takeaways: To Lease or Not to Lease

- **Historical leases for dangerous goods resulted in environmental liabilities**
- **Liabilities included:**
  - commodities being stored in areas with mixed use (including residential)
  - tenants not utilizing proper BMPs while transferring dangerous goods
  - lack of engagement of environmental department resulting in potential environmental violations

- **Benefits of the RD-1/2 Process**
  - brings the departments together for a complete review
  - Ensures that storage and BMPs are integrated in the lease holder's design
  - Increases communication and engagement of the lease holder
  - Reduces liabilities

Questions/Discussion



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