

FILE

Public Utilities  
Commission of Ohio

# Memo

PUCO

2014 MAY 19 PM 4:10

RECEIVED-DOCKETING DIV

**To:** Docketing Division

**From:** Jill Henry, Rail Specialist, Rail Division

**Cc:** PUCO Legal Department

**Date:** 5/19/14

**Re:** PUCO Case No. 14-0908-RR-STP- In the matter of a Request for Upgrades at the Michigan Southern Railroad Company Grade Crossings in Antwerp, Cecil, and Defiance, Ohio.

On May 19, 2014, Commission Staff and Michigan Southern Railroad DBA Napoleon, Defiance & Western Railway (MSO) entered into an agreement (attached) whereby crossing upgrades would be installed at three crossings in Antwerp, Cecil, and Defiance, Ohio.

Please assign a case number in this matter; docket this document and record the parties of record.

A suggested case coding and heading would be as follows:

PUCO Case No. 14-0908-RR-STP- In the matter of a Request for Upgrades at the Michigan Southern Railroad Company Grade Crossings in Antwerp, Cecil, and Defiance, Ohio.

The costs of the Project shall be apportioned between the PUCO and the Railroad, as follows:

<u>Grade Crossing</u>	<u>DOT#</u>	<u>Railroad</u>	<u>PUCO</u>
Main Street	477-823M	New and Repurposed	Funding up to
US 127	477-808K	Materials/Labor	\$101,271 for all
Davidson Street	477-692L	Plus Maintenance	four projects.
Fifth Street	477-687P		

## **Background**

On March 16, 2012, Staff opened Case #12-1002-RR-RCP for the PUCO Flasher LED Upgrade Program. One of the 28 companies involved in the program was the Maumee & Western Railroad Corp. (MAW). In December 2012, a portion of MAW (the tracks between Liberty Center and Woodburn, Indiana) was acquired by MSO.

MAW had committed to 10 LED crossing upgrades, but failed to complete them before the sale of the system. Staff began working with MSO to determine possible alternatives for these crossings. Staff discussed the issues with MSO and conducted on-site visits to all 10 crossings on July 10, 2013. Since the field visit in July 2013, MSO has begun work on the Western portion of their system and requested circuitry and equipment upgrades at 4 of the crossings located in Antwerp, Cecil, and Defiance as follows:

USDOT	Milepost	Street	Highway	City	County	Project
477-687P	50.8	FIFTH ST		DEFIANCE	DEF	Circuitry Upgrade
477-692L	51.18	DAVIDSON ST		DEFIANCE	DEF	Circuitry Upgrade
477-808K	62.87	US 127	US127-16.34	CECIL	PAU	Circuitry Upgrade
477-823M	71.57	MAIN ST	SR49-13.45	ANTWERP	PAU	Flashers/Circuitry

Fifth Street and Davidson Street were approved for LED upgrades in Case #13-2032-RR-RCP in October 2013, but since that time it has been determined that additional work is needed at these two crossings. Staff has agreed to partially fund circuitry upgrades at these crossings in addition to the LED upgrades.

## **Conclusion**

Staff has reviewed the stipulation and has determined it to be in order. Staff requests an Entry adopting the attached Subsidy Stipulation and directing MSO to submit plans and estimates to the Commission within 90 days and to complete the upgrades within one year. Upon approval of the plans and estimates by the PUCO construction may commence. Additionally, Staff requests that US 127 and Main Street crossings be removed from Case # 12-1002-RR-RCP.

**Please add the following parties of record:**

Mr. Daniel A. LaKemper  
General Counsel  
Michigan Southern Railroad Company  
DBA Napoleon, Defiance, & Western Railway  
1328 South Johanson Road  
Peoria, IL 61607

Mr. Shane Cullen  
Vice President of Operations  
Michigan Southern Railroad Company  
DBA Napoleon, Defiance, & Western Railway  
1318 S. Johanson Road  
Peoria, IL 61607

**BEFORE THE  
PUBLIC UTILITIES COMMISSION OF OHIO**

In the Matter of a Request for Upgrades at :  
the Michigan Southern Railroad Company : Case No. \_\_\_\_ - \_\_\_\_ -RR-STP  
Grade Crossings in Defiance County and :  
Paulding County, Ohio. :

**SUBSIDY STIPULATION**

THIS SUBSIDY STIPULATION ("Subsidy Stipulation") is entered into on this  
19<sup>th</sup> day of May, 2014 by and among the Public Utilities Commission of  
Ohio Railroad Staff ("PUCO"), and the Michigan Southern Railroad Company DBA  
Napoleon, Defiance, & Western Railway ("Railroad").

WITNESSETH:

WHEREAS, Rule 4901-1-30 of the Ohio Administrative Code provides that any two or  
more parties to a proceeding may enter into a written or oral stipulation concerning the  
issues presented in such proceeding; and

WHEREAS, The Public Utilities Commission of Ohio ("PUCO") has statutory authority  
to regulate and promote the welfare and safety of railroad employees and the traveling  
public pursuant to Ohio Revised Code ("ORC") §4905.04; and

WHEREAS, the PUCO is responsible for evaluating public highway railroad grade  
crossings to determine the need for upgrading the warning devices and apportioning the  
costs thereof pursuant to ORC§ 4907.471;

WHEREAS, the PUCO is responsible for the administration and implementation of the  
State Grade Crossing Protection Fund pursuant created under ORC§ 4907.472 to help  
defray the public's share of costs to install or modernize warning devices at Ohio's  
highway railroad grade crossings;

WHEREAS, the parties hereto propose to facilitate the upgrade identified in this Subsidy  
Stipulation in manner approved by the PUCO in accordance with the Federal Aid Policy  
Guide and applicable provisions of Title 23 of the United States Code pursuant to the  
terms hereof; and

WHEREAS, the parties hereto believe this Subsidy Stipulation to be reasonable and  
entitled to careful consideration by the PUCO;

WHEREAS, the parties hereby declare it to be in the public interest that they jointly and fully participate in this Subsidy Stipulation to facilitate the upgrade in accordance with plans, specifications, and estimates to be approved by the PUCO Staff.

NOW THEREFORE, in consideration of the mutual promises and covenants contained herein, the parties agree as follows:

### **Article I. PURPOSE**

The Subsidy Stipulation is a joint collaboration by the Railroad and the PUCO Staff to promote the health and safety of the traveling public who are required to travel through these public highway-railroad grade crossings in Northwestern Ohio.

### **Article II. PROJECT**

A. The project work to be completed shall include the following upgrade ("Project"):

<b><u>Grade Crossing #</u></b>	<b><u>Location</u></b>	<b><u>Nature of Upgrades</u></b>
477-823M	Main Street, Village of Antwerp	Flashers
477-808K	US 127, Village of Cecil	Circuitry Upgrade
477-692L	Davidson Street	Circuitry Upgrade
477-687P	Fifth Street	Circuitry Upgrade

B. The Project shall be completed within 12 months from the date of the PUCO order adopting this Subsidy Stipulation. The parties agree to comply with the terms of the Subsidy Stipulation and the PUCO order adopting the Subsidy Stipulation.

### **Article III. ALLOCATION OF PROJECT COSTS**

A. The costs of the Project shall be apportioned as between the PUCO and the Railroad, as follows:

<b><u>Grade Crossing</u></b>	<b><u>DOT#</u></b>	<b><u>Railroad</u></b>	<b><u>PUCO</u></b>
Main Street	477-823M	New and Repurposed	Funding up to
US 127	477-808K	Materials/Labor	\$101,271 for all
Davidson Street	477-692L	Plus Maintenance	four projects.
Fifth Street	477-687P		

- B. The Railroad shall be responsible for initially paying all of the actual costs to upgrades of the warning devices identified above. However, the PUCO shall be legally bound to reimburse the Railroad for the above-mentioned amounts upon proper application by the Railroad, consistent with the terms of this Subsidy Stipulation and in accordance with all applicable state regulations.
  
- C. The PUCO has agreed to provide funds from the State Grade Crossing Protection Fund, pursuant to ORC§ 4907.472, to cover that portion of the upgrade cost to be borne by the PUCO proposed above. The actual respective dollar amount, which the Railroad and the PUCO shall bear, will be based upon the actual cost noted in the plans and estimates to be approved by the PUCO Staff and incurred by the Railroad for this Project.
  
- D. All plans, specifications, estimate of cost, acceptance of work, and procedures in general, to facilitate the construction of the safety upgrade described above, shall conform in all respects to federal laws, rules, regulations, orders, and approvals applicable to state aid projects. The Railroad shall render billings to the PUCO Staff in accordance with said rules and regulations, and shall provide and furnish such itemized records of and substantiating data for such cost that may be required.

#### **Article IV. BILLING**

- A. The Railroad may bill the PUCO monthly or periodically for its costs when costs exceed \$1,000.00. The Railroad shall submit three (3) copies of its bill and in accordance with said rules and regulations as they have been issued or as thereafter may be supplemented or revised. A final bill covering the actual costs and showing all details shall be submitted to the PUCO Staff, within ninety (90) days after completion of each project, the PUCO Staff shall pay all bills within sixty (60) days after receipt thereof, except that the PUCO may hold a retainer on all bills not to exceed eight percent (8%) until final payment. The PUCO Staff shall make final payment for all amounts due the Railroad within sixty (60) days after a final audit has been performed and approved by the PUCO Staff. The Railroad agrees to cooperate and assist, as requested, in any such audit. At any time during normal business hours upon three (3) days written notice and as often as the PUCO Staff may deem necessary and in such a manner as not to interfere with the normal business operations, the Railroad shall make available to the PUCO Staff for examination, and to appropriate state agencies or officials, all of its records with respect to matters covered by this Subsidy Stipulation including, but not limited to, records of personnel and conditions of employment and shall permit the PUCO Staff to audit, examine and make excerpts or transcripts from such records. In the event of a controversy as to the eligibility for reimbursement of any charges claimed against the Project, as set in this Subsidy Stipulation, all parties agree to work in good faith with the other parties to resolve the controversy. After attempting to resolve any dispute regarding this Subsidy Stipulation, if the parties are still unable to resolve their dispute, any party shall have the right to seek enforcement of the terms of the Subsidy Stipulation by the PUCO. The decision of the PUCO regarding this dispute is final.
- B. No Project activity reimbursable under this Subsidy Stipulation, including, without limitation, preliminary engineering, shall be commenced until all of the following have occurred: (1) this Subsidy Stipulation shall have been approved and the Railroad directed to submit plans and estimates by the PUCO; (2) all financial obligations of the PUCO, as provided for in this Stipulation are subject to the provisions of ORC§ 126.07 of the Ohio Revised Code and shall not be valid and enforceable unless funds are appropriated by the Ohio General Assembly and encumbered by the PUCO Staff; and, (3) the Railroad has been notified by the PUCO Staff to proceed with construction of the Project work. Work on the improvements shall commence within 30 days of the occurrence of events (1), (2), and (3) described herein. Said work shall be pursued diligently by the Railroad until completed.

## **Article V. NOTIFICATION**

All notices, consents, demands, requests and other communications which may or are required hereunder by the Railroad shall be in writing and shall be deemed duly given if personally delivered or sent by facsimile and confirmed by telephone or sent by United States mail, registered or certified, return receipt requested, postage prepaid, to the addresses set forth hereunder or to such other address as the other party hereto may designate in written notice transmitted in accordance with this provision.

RAILROAD: Michigan Southern Railroad Co.  
DBA Napoleon, Defiance, and Western Railway  
Mr. Shane Cullen  
Vice President of Operations  
1318 S. Johanson Road  
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309-697-1400  
[SCullen@pioneer-railcorp.com](mailto:SCullen@pioneer-railcorp.com)

PUCO: Public Utilities Commission of Ohio  
Jill Henry  
Rail Specialist  
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180 East Broad Street  
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(614) 995-5535 (fax)  
[jill.henry@puc.state.oh.us](mailto:jill.henry@puc.state.oh.us)



## **Article VI. TERMINATION**

This Subsidy Stipulation shall terminate at the end of the present biennium, June 30, 2015. If construction covered under this Subsidy Stipulation is not completed by that date, it is the expressed intention of the parties to renew this Subsidy Stipulation on each successive biennium period until such time as all work contemplated under this Subsidy Stipulation has been satisfactorily completed. If it appears to the PUCO that the Railroad has failed to perform satisfactorily any requirements of this Subsidy Stipulation, or if the Railroad is in violation of any provision of this Subsidy Stipulation, or upon just cause, the PUCO may:

- A. Terminate the Subsidy Stipulation after providing the Railroad with written notice, in accordance with the notice provisions of this Subsidy Stipulation, of its failure to perform satisfactorily any requirement of this Subsidy Stipulation (the "Notice"), which shall provide the Railroad with a thirty (30) day period to cure any and all defaults under this Subsidy Stipulation; or
- B. Immediately terminate the Subsidy Stipulation. During the thirty (30) day cure period, the PUCO, the Railroad shall incur only those obligations or expenditures that are necessary to enable the Railroad to achieve compliance as, set forth in the Notice. If it is determined that the Railroad cannot cure its default, the Railroad shall immediately cease work under this Subsidy Stipulation, take all necessary or appropriate steps to limit disbursements and minimize cost, and the Railroad shall provide a report, as of the date of receipt of the Notice, setting forth the status of the work completed, the cost of the work completed and such other information as the PUCO shall deem pertinent.

## **Article VII. REPRESENTATIONS AND WARRANTIES**

- A. RAILROAD: The Railroad represents and warrants the following:
  - (1) The Railroad has the power and authority to enter into this Subsidy Stipulation; and
  - (2) The Railroad has the authority to carry out its obligations under this Subsidy Stipulation; and
  - (3) No personnel of the Railroad, any subcontractor of the Railroad, public official, employee or member of the governing body of the particular locality where this Subsidy Stipulation shall be completed, who exercises any functions or responsibilities in connection with the review or approval of the work completed under this Subsidy Stipulation, shall prior to the completion of said work, voluntarily or involuntarily acquire any personal monetary interest, direct or indirect, which is incompatible or in conflict with the discharge or fulfillment of his functions or responsibilities with

respect to the completion of the work contemplated under this Subsidy Stipulation. Any person, who, prior to or after the execution of this Subsidy Stipulation, acquires any personal monetary interest, involuntarily or voluntarily, shall immediately disclose his interest to the PUCO in writing. Thereafter, such person shall not participate in any action affecting the work contemplated under this Subsidy Stipulation unless the PUCO determines that, in light of the personal monetary interest disclosed his participation in any such action would not be contrary to the public interest.

- B. PUCO: PUCO represents and warrants that they have the power and authority to enter into this Subsidy Stipulation and to carry out their obligations pursuant to the terms of this Subsidy Stipulation.

### **Article VIII. RECORD KEEPING**

During performance of this Subsidy Stipulation and for a period of three years after its completion, the Railroad shall maintain auditable records of all work performed under and charges pertaining to this Stipulation and shall make such records available to the PUCO as the PUCO may reasonably require.

### **Article IX. RIGHTS TO DATA**

The PUCO shall have unrestricted authority to reproduce, distribute and use (in whole or in part) any reports, data or materials prepared by the Railroad pursuant to this Stipulation.

### **Article X. FALSIFICATION OF INFORMATION**

The Railroad affirmatively covenants that they have not made any false statements to the PUCO in the process of obtaining this grant of funds. If the Railroad has knowingly made a false statement, the Railroad shall be required to return all funds immediately pursuant to ORC§ 9.66(C) (2) and shall be ineligible for any future economic development assistance from the State, any state agency or a political subdivision pursuant to ORC§ 9.66(C) (1). Any person who provides a false statement to secure economic development assistance may be guilty of falsification, a misdemeanor of the first degree, pursuant to ORC§2921.13(D)(1), which is punishable by a fine of not more than One Thousand Dollars (\$1,000) and/or a term of imprisonment of not more than six (6) months.

## **Article XI. EQUAL EMPLOYMENT OPPORTUNITY**

In performing this Subsidy Stipulation, the Railroad shall not discriminate against any employee, applicant for employment, or other person because of race, color, religion, gender, national origin (ancestry), military status (past, present or future), disability, age (40 years of age or older), genetic information, or sexual orientation. The Railroad will ensure that applicants are hired and that employees are treated during employment without regard to their race, color, religion, gender, national origin (ancestry), military status (past, present or future), disability, age (40 years of age or older), genetic information, or sexual orientation. The Railroad shall incorporate the foregoing requirements of this paragraph in all of its contracts for any of the work prescribed herein (other than subcontracts for standard commercial supplies or raw materials) and will require all of its subcontractors for any part of such work to incorporate such requirements in all such subcontracts.

## **Article XII. DRUG FREE WORKPLACE**

For any work under this Subsidy Stipulation that is performed on government property, the Railroad shall enforce its policy that its employees, while engaged in such work, shall not purchase, transfer, and use or possess illegal drugs or alcohol or abuse prescription drugs in any way.

## **Article XIII. HOLD HARMLESS PROVISION**

The Railroad covenants and agrees to indemnify and hold the PUCO and their agents and employees harmless from and against any loss, claim, cause of action, damages, liability (including, without limitation, strict or absolute liability in tort or by statute imposed), charge, cost or expense (including, without limitation, counsel fees to the extent permitted by law), predicated on personal injury or death, or loss of or damage to property, and arising from any work performed pursuant to this Subsidy Stipulation and caused by the Railroad's negligent, intentional, willful or wanton actions or inactions, or such actions or omissions by any subcontractors that may be hired by the Railroad under this Subsidy Stipulation. In case any action involving any work covered by this Subsidy Stipulation is brought by or against any party or parties, said party or parties shall promptly notify the other party or parties of such action.

## **Article XIV. COMPLIANCE WITH FEDERAL, STATE AND LOCAL LAWS AND REGULATIONS**

The signatory parties agree to comply with all federal, state and local laws, rules, regulations, and auditing standards, which are applicable to their performance under this Stipulation.

## **Article XV. BUY OHIO/BUY AMERICAN PROVISIONS; OFFSHORE OUTSOURCING PROVISION:**

The Railroad shall use its best efforts to purchase goods from other companies doing business in the State of Ohio, for the purpose of performing work under this Subsidy Stipulation. Further, in the performance of the work contemplated under this Subsidy Stipulation, the Railroad and all contractors, subcontractors, material men, or suppliers, shall use only such unmanufactured articles, materials, and supplies as have been mined or produced in the United States, and only such manufactured articles, materials, and supplies as have been manufactured in the United States substantially all from articles, materials, or supplies mined, produced, or manufactured, as the case may be, in the United States. The Railroad affirms to have read and understands Executive Order 2011-12K and shall abide by those requirements in the performance of this Subsidy Stipulation. Notwithstanding any other terms of this Subsidy Stipulation, the PUCO reserve the right to recover any funds paid for services the Railroad performs outside the United States for which it did not receive a waiver from the Director of the Ohio Department of Administrative Services.

## **Article XVI. ENTIRETY OF AGREEMENT**

This Subsidy Stipulation and its exhibits and any documents referred to herein constitute the entire agreement of the parties and supersede any and all other discussions, agreements and understandings, either oral or written, between the parties with respect to the subject matter hereof. This Subsidy Stipulation shall not be modified, amended, or supplemented, or any rights herein waived, unless specifically agreed upon in writing by the parties. A waiver by any party of any breach or default by the other party shall not constitute a continuing waiver by such party of any subsequent act in breach of or in default hereunder.

## **Article XVII. CAMPAIGN CONTRIBUTIONS**

The Railroad hereby certifies that all applicable parties listed in Division (I)(3) or (J)(3) of ORC§ 3517.13 are in full compliance with Divisions (I)(1) and (J)(1) of ORC§ 3517.13.

## **Article XVIII. AMENDMENTS OR MODIFICATIONS**

Neither this Subsidy Stipulation, nor any rights, duties, nor obligations hereunder, may be assigned or transferred, in whole or in part, by any signatory party, without the written consent of the PUCO.

## **Article XIX. DEBARMENT**

The Railroad represents and warrants that it is not debarred from consideration for contract awards by the Director of the Department of Administrative Services, pursuant to either ORC§'s 153.02 or 125.25. If this representation and warranty is found to be false, this Subsidy Stipulation is void *ab initio* and the Railroad shall immediately repay to the PUCO any funds paid under this Subsidy Stipulation.

## **Article XX. HEADINGS**

Section headings contained in this Subsidy Stipulation are inserted for convenience only and shall not be deemed a part of this Subsidy Stipulation.

## **Article XXI. GOVERNING LAW**

This Subsidy Stipulation shall be governed by the laws of the state of Ohio as to all matters, including but not limited to matters of validity, construction, effect and performance.

## **Article XXII. PARTIAL INVALIDITY**

A judicial or administrative finding, order, or decision that any part of this Subsidy Stipulation is illegal or invalid shall not invalidate the remainder of the Subsidy Stipulation.

### Article XXIII. DUPLICATE COUNTERPARTS

This Subsidy Stipulation may be executed in one or more counterparts, each of which shall be deemed to be a duplicate original, but all of which taken together shall be deemed to constitute a single agreement.

IN WITNESS WHEREOF, the parties hereto have caused this Subsidy Stipulation to be executed as of the date and year set forth below.

On behalf of Michigan Southern Railroad  
Company DBA Napoleon, Defiance, &  
Western Railway

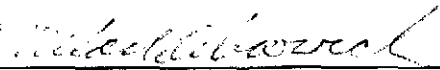
By: 

Gregory D Miller  
[Print Name]

Title: President

Date: 5/14/14

On behalf of the Public Utilities  
Commission of Ohio :

By: 

Milan Orbovich

Title: Director of Transportation

Date: 5/19/14