



CO-OP REFINERY COMPLEX CASE STUDY

INTEGRATED SERVICE SOLUTION STREAMLINES
RAILCAR MOVEMENT AND IMPROVES EFFICIENCY AT
THE CO-OP REFINERY COMPLEX

THE CO-OP REFINERY COMPLEX (CRC) IN REGINA, SK, CONTINUES TO GROW AND CHANGE IN PART BECAUSE OF ITS RELENTLESS PURSUIT OF QUALITY AND PRODUCTIVITY. ONE OF CANADA'S LARGEST REFINERIES, CRC CONTRACTED CANDO RAIL SERVICES TO PROVIDE AN INTEGRATED RAIL SERVICES SOLUTION INCLUDING CONSTRUCTION OF A RAILCAR STORAGE YARD, SWITCHING INBOUND AND OUTBOUND RAILCARS, TRACK INSPECTION AND MAINTENANCE, AND MOBILE TRANSLOADING SERVICES, ALL CRUCIAL TO THE REFINERY'S BUSINESS.







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BACKGROUND BETWEEN CANDO AND CO-OP

Cando and CRC had been in regular discussions looking for an opportunity to partner in the development of an integrated rail service solution at the Regina refinery. Cando and CRC's first commercial relationship began with Cando's Winnipeg-based Central Manitoba Railway subsidiary, transloading diesel and gasoline during the winter of 2011-12.

In fall 2012, CRC finished a \$2.8 billion expansion that increased the overall refinery output by 40,000 barrels of gasoline and diesel a day, which served as the catalyst for discussions between CRC and Cando. The goal was to improve the refinery's rail service by increasing efficiency and reducing demurrage costs, and taking advantage of the additional refinery output.

In 2013, CRC contracted Cando to build a dedicated railcar storage yard and have Cando perform all switching, track maintenance, and inspections at CRC. Cando switched its first car for CRC in September 2013, with the Victoria Plains storage facility coming online in late December 2014.

Craig Kezama, a Petroleum Distribution Services Manager for Co-op at the CRC, was responsible for sourcing Cando for these jobs.

"When I look back and think if we made a good call, our partnership was a very good decision for us. If we had to do it over again, we would definitely still do it," says Kezama. "We've learned things from them and the things they've done."

WHY CANDO OFFERS STORAGE SOLUTIONS

Over the past decade, Cando has evolved into one of the largest railcar storage service providers in Canada, with currently more than 5,700, spaces either owned, leased, brokered or otherwise controlled and operated by Cando. Cando began moving that direction in 2008, when the company recognized that industry was having a hard time finding affordable railcar storage solutions as the global recession hit.

In 2009, Bob Feeney, Cando Rail Services' Director of Business Development, based in Edmonton, saw an opportunity to help companies struggling to store their railcars by offering to build and finance custom facilities specifically designed and located for their particular railcar staging and storage needs. Cando's first railcar storage yard was constructed in Edmonton, for a client in the energy industry.

"Railcar storage isn't necessary when things are going well because the cars are needed to move products around the country," says Feeney. "Existing trackage was becoming less and less available and more expensive."

BUILDING FROM THE TRACKS UP

Cando helps its customers gain efficiencies by building integrated service solutions including staging yards, and on-demand 24 hour switching services that have their railcars available when they want them. Integrated solutions can also reduce the need for additional capital expenditures by allowing our customers to turn their loading/unloading infrastructure more often.

Here are a few things Cando did as part of the building process at Regina's Victoria Plains yard:

- Secured the land in close proximity to the refinery
- Worked with Canadian National (CN) to secure running rights on their track
- Designed, built and financed the project for Co-op
- Built a locomotive shed to support repairs and minimize winter idling
- Took an innovative and custom approach to creating the staging facility

Critical to securing this project were Cando's demonstrated safety performance, and ability to obtain running rights on CN track, and Cando's experience to develop properties to support our Rail Services operations. Located just two miles from the refinery, the Victoria Plains yard has space to store up to 255 railcars and is immediately adjacent to three CN tracks used to interchange traffic between CN and the refinery.

"The benefit of having a dedicated facility is improved inventory control and increased efficiency within the yard," says Feeney.

"We're able to control our day to day operations more efficiently and execute according to plan because of the holding yard and the spotting and pulling service," says Kezama. "They bring a much more efficient use of our rail obligation, both inbound and outbound — they're very dependable."

When Cando has an opportunity like this to build a solution from start to service, efficiency and accessibility are part of the blueprint from day one.





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WE ENSURE CRC RECEIVES CONSISTENT AND PREDICTABLE SERVICE. OUR TEAM SITS DOWN DAILY WITH THE CRC TEAM AND WE WORK TOGETHER TO PLAN THE NEXT 24 HOURS OF REQUIREMENTS WITH THEM SO THERE ARE NO SURPRISES.

ONGOING ON-SITE SUPPORT AND SERVICES

Cando staff are on-site six days a week, to perform a number of services:

- Railcar pulling, spotting and switching
- Track maintenance, inspection and repair
- Off-site transloading of fuel

About 20 Cando team members, including two supervisors, work at the Regina operation. There are two Cando locomotives at CRC to ensure loads are switched in time for CN or Canadian Pacific (CP) to hook and haul them away.

"If you look at Cando's philosophy, we strive to not only service customers, but develop long term relationships," says Mac Macdonald, Cando's National Manager of Railcar Storage. "We always have the client's best interest in mind. That's how you develop a partnered relationship. There's no other way to do it."

Based on Kezama's feedback, it sounds like this philosophy makes a difference.

"Not only are they good at what they do, they are also very customer-centric," says Kezama of Cando. "They suggest best practices, but they are also reactive to ideas, and they are very engaged top to bottom."





HOW CANDO'S SERVICES SUPPORT CRC

With the increase in annual railcar movements at the refinery, CRC has been able to manage costs and gain efficiencies by having Cando's switching and staging services integrated with the refinery loadout operations.

Darren Barabonoff, Operations Manager for Cando at CRC, shares that because his team handles all the rail services for CRC, Cando is able to plan ahead and deliver near-perfect service.

"We ensure CRC receives consistent and predictable service. Our team sits down daily with the CRC team and we work together to plan the next 24 hours of requirements with them so there are no surprises," says Barabonoff. "We also review the previous 24 hours of service, to discuss any issues there may have been."

For example, he explains that when the refinery requires track maintenance, Cando is able to coordinate switching to minimize the impact to railcar loading.

"Good integration allows us to plan in advance and minimize disruptions," says Barabonoff.

Service six days a week ensures the CRC never runs out of empty railcars to load. In designing the integrated rail solution, Cando included the staging facility and supporting switching services so cars would always be available whenever they are needed, day or night.

COLLABORATION WITH CLASS 1s ESSENTIAL FOR WORK AT CRC & VICTORIA PLAINS

Working with the Class 1 railways was crucial when planning CRC's staging facility and switching services. CN has tracks running through the middle of the refinery, and Victoria Plains is accessed through a running rights agreement between CN, CRC, and Cando.

Cando created a partnership with CN as part of the building process at Regina's Victoria Plains yard that included both a land lease, as well the running rights. This was possible due to a long-standing working relationship with the Class 1s and Cando's track record of service.

"We added considerable value to CRC through collaboration with CN," says Lee Jebb, Cando's Vice President.

"We do have a formal meeting every morning where we go over the plans for the days' spotting and switching, and Cando joins in when we speak to CN and CP," says Kezama. "They do as we ask, and figure out better ways to do what we are trying to achieve."

Cando has running rights on CN and CP track at a number of locations and daily interchanges into major switching yards across Canada. Cando holds a federal Railway Operating Certificate (as a local railway), and meets all the legal and regulatory requirements (railway insurance, training, equipment, procedures and Safety Management System) necessary to operate as a rail services provider on federal, provincial and industry tracks, something few companies can offer.

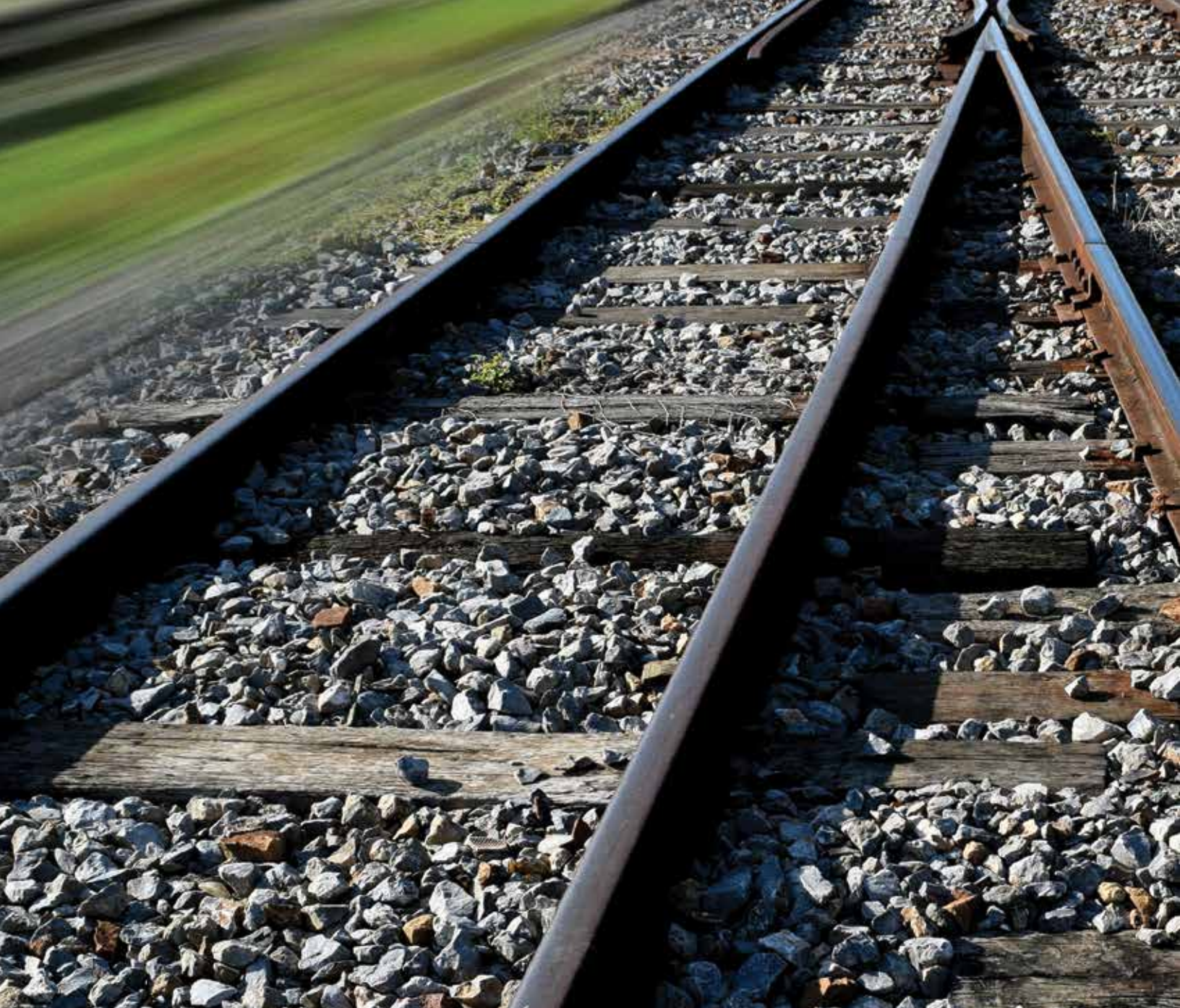
Cando bridges the gap between the Class 1s and the customer, and communicates with CN or CP on a regular basis to ensure excellent service.





CANADA'S ENERGY INDUSTRY LEADER

Cando is one of Canada's leading rail service providers to the energy industry, with the expertise and experience to design or build rail terminals, fuel transfer systems or transload facilities from scratch. Cando's crews will continue to work as a part of the customer's local team ensuring continuous improvement, excellent service and around the clock support.



Cando Rail Services is an industry leader in providing rail support services. Facilitating the safe, efficient movement of products across the entire supply chain, Cando is the crucial linchpin between our industrial customers and the Class 1 railways.



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