

**MINUTES
REGULAR COMMISSION MEETING
THE PORT OF PORTLAND
April 11, 2012**

In response to due notice, the regular meeting of the Commissioners of the Port of Portland was held at 9:30 a.m. in the Chinook conference room of the Port's administrative offices located at 7200 NE Airport Way.

QUORUM

Commissioners present were Judi Johansen, President, presiding; Jim Carter; Tom Chamberlain; Diana Daggett; Bruce Holte and Paul Rosenbaum. Also present were Bill Wyatt, Executive Director; participating staff members; and members of the public.

LEAVE OF ABSENCE

Commissioner Johansen called for a motion to grant a leave of absence to Commissioners Bragdon and Corey, who were out of town. Commissioner Rosenbaum moved to grant the leave of absence. Commissioner Holte seconded the motion, which was put to a voice vote. Commissioners Carter, Daggett, Holte, Johansen and Rosenbaum voted in favor of the motion. Commissioner Chamberlain was not present for the vote.

MINUTES

Commissioner Johansen called for a motion to approve the minutes of the Regular Commission Meeting of March 14, 2012. Commissioner Daggett moved to approve the minutes. Commissioner Holte seconded the motion, which was put to a voice vote. Commissioners Carter, Daggett, Holte, Johansen and Rosenbaum voted in favor of the motion. Commissioner Chamberlain was not present for the vote.

PUBLIC COMMENT

Mary Rosenblum, Oregon Pilots Association, addressed the Commission regarding concerns the association has about the potential safety and operational impacts of the proposed natural gas fired generating plant at the Troutdale Airport and the possibility the Port could be in violation of Federal Aviation Administration (FAA) Grant Assurances if operations and airspace use are negatively impacted by the development. Ms. Rosenblum's written comments are attached.

Ms. Johansen thanked Ms. Rosenblum for her comments. She said we take these issues very seriously and she knows Mr. Wyatt and staff is focusing in on this.

Mr. Wyatt said we do take this issue very seriously and there will be a lot more information available before the Commission has to make a decision related to this property. He said Ms. Rosenblum's description of the situation is on point. He said the FAA will likely decline to tell us in advance what the right direction or answer is. He said we have been in this situation on many occasions and while we are not comfortable, we appreciate the environment as described.

EXECUTIVE DIRECTOR'S REPORT

Bill Wyatt said that business at PDX has been extraordinary. He said that over the course of the last month, we have seen significant new service added. He said Virgin American will begin service to the Bay area and Los Angeles in June; Alaska Airlines will begin daily service to/from Pasco, Washington, in August; and Southwest will begin seasonal service to Austin, Texas. Mr. Wyatt said we have also seen regional expansion over the last few months. He said Alaska announced service to Bellingham, Santa Barbara and Bozeman, and Frontier announced service to Colorado Springs. Mr. Wyatt thanked our air service development team for all their hard work.

Mr. Wyatt said on the marine front, it has been steady, but there have been a couple of interesting indications that things are improving. He said for the first time we have seen increases in auto imports and Toyota is finally seeing significant growth in their volumes. Mr. Wyatt said export container volumes continue to be strong with double-digit growth over the prior year.

Mr. Wyatt noted that each year, the second week of April is designated by Congress as National Public Safety Telecommunicator Week. He said the week is dedicated to the men and women who serve as public safety telecommunicators. Mr. Wyatt said the event honors the thousands of men and women who answer emergency calls and dispatch emergency professionals and equipment. He said the Port of Portland is pleased and proud to join in recognizing the dedication of our communications personnel, as well as the other public safety communications professionals throughout our state. He commended them on their tireless efforts to support emergency responders and to provide critical services to our airport employees, traveling public and nearby businesses and waterways. Mr. Wyatt asked that everyone join him in recognizing and honoring the Port of Portland dispatchers.

Mr. Wyatt said it does not come as a surprise that PDX is regularly recognized as one of the best airports in the United States and that, once again, Airport Revenue News (ARN) has recognized PDX for its outstanding concessions program. Mr. Wyatt said the ARN Best Concessions awards are the most coveted recognition in the industry and are reflective of the excellence the airport and concessionaire winners bring to the concessions business.

Mr. Wyatt said Beaches was awarded Best New Food & Beverage Concept for 2012. Mr. Wyatt said complete with sand, palm trees, beach scenes, hot rods and motorcycles and a fire pit, Beaches attracts the full spectrum of travelers and they do this with their commitment to great food and customer service. Mr. Wyatt congratulated Beaches owner, Mark Mathias, for the award.

Mr. Wyatt said a PDX favorite, Nike, received top honors for Best Retail Store Design for 2012. He said that Nike completed a remodel last year, adding re-purposed high school bleacher design elements throughout the store. He said these bleachers came from area high schools through a program that Nike developed, which furnishes participating high schools with much needed new equipment, in exchange for old. Mr. Wyatt recognized Nike for their sustainable and community-minded business model and congratulated Mike Ulrich, District Store Director, and Autumn Armstrong, Head Coach, Nike PDX.

Mr. Wyatt said last, but not least, our own PDX Concessions Management team was recognized for Best Concessions Management Team for 2012. He said nominations for this award come from the tenants throughout the airport industry. He said the PDX team was recognized for being fair

and reasonable, having great vision and follow through and always wanting to improve the passenger experience. Mr. Wyatt recognized Chris Madsen and her team: Scott Kilgo, Walt Haynes, Rebecca Sonniksen, Shane Andreasen, Scott Van den Akker and Walt Marchbanks.

Commissioner Johansen called for a motion to approve the Executive Director's Report. Commissioner Daggett moved to approve the Executive Director's Report. Commissioner Holte seconded the motion, which was put to a voice vote. Commissioners Carter, Chamberlain, Daggett, Holte, Johansen and Rosenbaum voted in favor of the motion.

PORT OF PORTLAND COMPASS AWARD

Mr. Wyatt said he is honored to present the 2011 nomination for the annual Port of Portland Compass Award. He said the Port initiated the Compass Award program in 2006 to recognize the contributions of community individuals and entities that have demonstrated exceptional support for the Port of Portland. Mr. Wyatt said like the points of a compass, their generous gifts of personal involvement and guidance help to support and focus Port activities in alignment with our strategic mission. He said compass award recipients serve as civic and/or corporate role models through their outstanding contributions to the Port and the communities we serve.

Mr. Wyatt said past recipients have included Randy Miller, an outspoken economic development advocate; Toyota Motor Sales, U.S.A., Inc.; Ted Cullen, Nike executive and International Air Service Committee co-chair; and Bill Furman, President and CEO of Greenbrier Companies.

Mr. Wyatt said this year we have nominated Gerry Frank as the Compass Award recipient and then Mr. Wyatt read the attached resolution.

Commissioner Johansen called for a motion to adopt the Resolution of Commendation and Appreciation to Gerry Frank for service to the Port of Portland and the Portland regional economy. Commissioner Holte moved to adopt the Resolution. Commissioner Chamberlain seconded the motion, which was put to a voice vote. Commissioners Carter, Chamberlain, Daggett, Holte, Johansen and Rosenbaum voted in favor of the motion.

GENERAL DISCUSSION AND PUBLIC HEARING

Fiscal Year 2012-2013 Proposed Budget and Economic Overview

Scott Drumm, Research Program Manager, provided a brief overview of the economic trends that drive the Port's budget. He said he is pleased that his presentation has relatively good news after several years of not-so-good news.

Mr. Drumm said the recovery is playing out according to script; it will be long, slow and painful. He said we have received a lot of new service and our numbers have been looking good, but he could not put his finger on exactly why, because there was no obvious reason for the Port to be doing so well. Mr. Drumm said he spent time picking the brain of Tim Duy, the economist at the University of Oregon, and his conclusion is the story behind the recovery is, there is no big story. He said it has a little bit of everything doing better.

Mr. Drumm said international trade is one of the reasons the Port is doing so well. He said we have returned to our pre-recessionary trade levels and exports continue to build. Mr. Drumm said we are seeing strong growth in trade with South Korea and Canada. He said China is still important, but they are not growing as fast as they were.

Mr. Drumm discussed the industry trends for marine and aviation. He said there is general optimism for the maritime industry. He said container carriers are still struggling with their profitability, but if they can control capacity much like the airline industry, their profitability will improve.

Mr. Drumm said on the aviation side, the story is similar to last year. He said the mainline carriers are mostly focused on international routes and dialing down the capacity domestically. He said they are exercising capacity discipline to help offset the high fuel prices. He noted there is still further consolidation out there. Mr. Drumm said cargo growth worldwide will be flat, which is mainly due to a shift from air to ocean in intra-Asia trade. He said we do expect to see an uptick in cargo volumes here. Mr. Drumm said that while we saw some growth in business travel, we are looking for it to be flat in 2012.

Mr. Drumm said we are cautiously optimistic about the industrial real estate trends. He said the market will continue to strengthen through 2012 and the Port's properties are well-positioned to meet regional demand.

Suzanne Kenny, Financial Manager, briefly discussed the Portwide budget assumptions. She said we are seeing improvements in the economy and our business lines and we expect to see that continue in to Fiscal Year 2012-13. She said in terms of healthcare costs, we are budgeting and forecasting an increase along the lines of the industry average, which is running 10-12 percent. Ms. Kenny noted our capital program is declining as we move into an asset maintenance environment as opposed to development and expansion. Ms. Kenny said our number one goal is to maintain competitive costs for our customers.

Ms. Kenny reviewed the total Port operating revenues and expenses, as well as the budget summary for both Aviation and Marine and also Industrial Development.

Ms. Kenny said the next step is to request approval at the May 9, 2012, Commission meeting to submit the budget to the Tax Supervising and Conservation Commission.

PUBLIC HEARING PROPOSED BUDGET FOR FISCAL YEAR 2012-13

Commissioner Johansen opened a public hearing for the purpose of taking testimony on the Proposed Budget for Fiscal Year 2012-13.

Hearing no comments, Commissioner Johansen closed the public hearing and noted that no action was required at this time. The Fiscal Year 2012-13 proposed budget will be brought before the Commission at the May 9, 2012, meeting for action.

CONSENT AGENDA

No presentation was made of the following agenda item, which was brought before the Commission as part of the Consent Agenda. Commissioner Johansen read the title of the agenda item and called for a motion to approve the item.

Agenda Item No. 1

METRO POLICY ADVISORY COMMITTEE MEMBER RECOMMENDATION

BE IT RESOLVED, That approval is given to appoint the Port's Public Affairs Director, as the Port of Portland's representative on the region's Metro Policy Advisory Committee,

and that the Public Affairs Director may delegate this representation to the Transportation and Land Use Policy Manager, or the Regional Affairs Manager as alternates in the Director's absence.

Following the reading of the title of the Consent Agenda by Commissioner Johansen, Commissioner Rosenbaum moved that the Executive Director's recommendations be approved and Commissioner Daggett seconded the motion. The motion was put to a voice vote. Commissioners Carter, Chamberlain, Daggett, Holte, Johansen and Rosenbaum voted in favor of the motion.

ACTION ITEMS

Agenda Item No. 2

CONTRACT – MAINTENANCE DREDGING 2012 – TERMINAL 2

This agenda item requested approval to award a construction contract to Hickey Marine Enterprises, Inc., for Terminal 2 Maintenance Dredging 2012.

Marcel Hermans presented the Executive Director's recommendations as follows:

BE IT RESOLVED, That approval is given to award a construction contract for Terminal 2 Berths 205 and 206 Maintenance Dredging 2012 to Hickey Marine Enterprises, Inc., in accordance with its bid; and

BE IT FURTHER RESOLVED, That the Executive Director or his designee is authorized to execute the necessary documents on behalf of the Port of Portland Commission in a form approved by counsel.

Commissioner Johansen called for a motion to approve the Executive Director's recommendations. Commissioner Holte moved that the Executive Director's recommendations be approved. Commissioner Carter seconded the motion, which was put to a voice vote. Commissioners Carter, Chamberlain, Daggett, Holte, Johansen and Rosenbaum voted in favor of the motion.

Agenda Item No. 3

LEASE AMENDMENT – KINDER MORGAN OPERATING L.P. "C" – TERMINAL 4

This agenda item requested approval to enter into an amended and restated lease agreement (Amended Lease) with Kinder Morgan Operating L.P. "C" (Kinder Morgan) for approximately 7.67 acres adjacent to Berth 410/411 at Terminal 4. The Amended Lease will incorporate a new 10-year lease extension with two, 5-year options, effective January 1, 2013. Kinder Morgan commits to purchase and install a new ship loader at Terminal 4.

Debra Crawford presented the Executive Director's recommendations as follows:

BE IT RESOLVED, That approval is given to enter into an amended and restated lease agreement with Kinder Morgan Operating L.P. "C" for approximately 7.67 acres at Port of Portland Terminal 4, consistent with the terms presented to the Commission; and

BE IT FURTHER RESOLVED, That the Executive Director or his designee is authorized to execute the necessary documents on behalf of the Port of Portland Commission in a form approved by counsel.

Commissioner Johansen called for a motion to approve the Executive Director's recommendations. Commissioner Holte moved that the Executive Director's recommendations be approved. Commissioner Daggett seconded the motion, which was put to a voice vote. Commissioners Carter, Chamberlain, Daggett, Holte, Johansen and Rosenbaum voted in favor of the motion.

The meeting adjourned at 10:43 p.m.

President

Assistant Secretary

Date Signed

An audio recording of these proceedings and the full Commission agenda is available by contacting the Port of Portland administrative offices, 7200 N.E. Airport Way, Portland, Oregon 97218.

Resolution of Commendation and Appreciation to
GERRY FRANK
For Service to the Port of Portland and the State of Oregon

WHEREAS, Gerry Frank has served the Port of Portland tirelessly as one of our region's most active economic development, global trade policy and tourism ambassadors; and

WHEREAS, He served as a twenty-year Chief of Staff to the late Senator Mark Hatfield who assisted greatly in positioning Portland and Oregon as a trade and travel gateway; and

WHEREAS, He has served as a board member and trustee of many Oregon community institutions including US Bancorp, Standard Insurance Company, AAA of Oregon and Idaho, the Oregon Independent Colleges Foundation, the Oregon Economic Development Commission, the Oregon Tourism Commission and the Portland Rose Festival among many others; and

WHEREAS, He has received numerous awards including the Glen Jackson Leadership Award, the Aubrey Watzek Award and the Gold Medallion Award for 50 years of individual Community Service; and

WHEREAS, Gerry is often referred to as Oregon's "third Senator" and was named the first-ever Oregon Premier Citizen by gubernatorial proclamation; and

WHEREAS, He is a prolific writer and commentator with *The Oregonian*, KPTV and KATU as well as the author of 17 editions of "Where to Find It, Eat It, Buy It in New York;" and

WHEREAS, Gerry has graciously given of his own personal time and energy to civic causes, traveled overseas on behalf of the State of Oregon on trade missions and consular visits and serves as a model of civic activism within the business community; and

WHEREAS, He has helped the Port of Portland achieve its mission through his incredible business network and tireless commitment to Oregon's growth and prosperity; and

WHEREAS, The Port of Portland annually names a recipient of The Compass Award to recognize individuals and organizations that assist the Port in navigating key issues and setting a clear course of action toward our mission; now, therefore, be it

RESOLVED, That the Port of Portland Commission recognizes and commends Gerry Frank for his partnership with the Commission and service to the people this Commission represents and name Gerry Frank the 2011 recipient of the Compass Award; and be it

FURTHER RESOLVED, That this resolution shall become effective immediately upon its adoption.

ADOPTED April 11, 2012

Oregon Pilots Association's Concerns Regarding Future Portland-Troutdale Airport Operations

The Oregon Pilots Association has been examining the potential impact of the proposed natural gas fired generating plant on the safety and operations of the Portland-Troutdale Airport and our concerns have increased considerably.

Troutdale Energy Center, LLC maintains that their proposed power plant will have little or no effect on operations and safety at the Portland-Troutdale Airport. The Oregon Pilots Association strongly disagrees.

Two issues concern us: Loss of visibility at the airport and the effect of the high-velocity, high-temperature plume emitted by the generating plant stack.

The cooling towers, located near the south border of the property, ¼ mile from the airport runway, will release warmer than ambient temperature air which equates to fog. In light wind conditions, this fog will circulate in the riverbed basin, potentially obscuring the runway, the approach to the runway and the traffic pattern above, if the plume rises to 1000 feet or more. If the visibility drops below three miles, the airport must close, and, if the approach is obscured, the airport must alternate between landing and departing traffic using only one end of the runway, thus significantly reducing operations. If the plume obscures the north traffic pattern, all traffic must use the south pattern, overflying residential neighborhoods and potentially conflicting with Portland International traffic on the approach to runway 28R.

The Troutdale airport is projecting more than 130,000 operations in 2012, and the majority of these operations will be student pilot flights. The safety risk to less-proficient student pilots in limited but legal visibility conditions and in an over-crowded south pattern is significant, raising the potential for an accident with attendant lawsuits and liability issues.

Troutdale Energy Center, LLC's climate study predicts little to no effect of the plume on traffic patterns. The Oregon Pilots Association was shown the results of the study in a March 12 meeting with the developer at the Port offices and their data varies significantly from PGE's similar modeling for the nearly identical Port Westward Plant located in Clatskanie, OR in a very similar meteorological environment. Empirical data, gathered by members of the OPA does not agree at all with the developer's projected plume heights. When the Port Westward plant is operating, the plume exceeds 1000 feet, even on a clear day with a large temperature dew-point spread. The Troutdale Energy Center, LLC plant will incorporate an additional two cooling cells when it is completed, to give it a total of nine cooling cells, where the Port Westward Plant only includes seven. So the Troutdale plant's steam

output should be substantially greater and their optimistic modeling seems highly suspect. Their model eliminated days with a ceiling, days with precipitation, days with calm winds, and days with fog. The CH2MHill technicians could not define 'ceiling' or 'precipitation'. Many days in fall, winter, and spring have an overcast ceiling at some altitude as well as measurable precipitation to some degree, and light westerly to calm winds predominates at Troutdale during a climate year according to NOAA data.

The generating plant's main stack lies beneath the north downwind pattern of the airport and traffic must fly below 1200 feet in order to avoid conflicts with Portland International traffic. High velocity, high temperature thermal plumes from power plant stacks have been cited in at least one NTSB report as the cause of engine failure and subsequent crash and the FAA, in the Airman's Information Manual, instructs pilots to avoid the plume, flying upwind when able. At least five pilots have been held legally accountable in the courts by the FAA for violating AIM instructions. If Air Traffic Controllers send aircraft into that pattern, there is a serious question about liability, should a crash ensue. Currently, the FAA is completing a study on these plumes and is expected to formulate more specific regulations for plume avoidance. If the FAA determines that pilots need to avoid such plumes by a ½ mile lateral radius, the Troutdale Airport will be forced to close. The stack will lie ½ from the runway. The FAA may potentially determine a safe overflight altitude that impacts the Mill Visual Approach for the Portland International Airport, which lies above the Troutdale traffic pattern.

What are the implications for the Port of Portland? The Port of Portland has accepted considerable funds from the FAA over the past 25 years for maintenance and refurbishment of the Troutdale Airport, including runway and taxiway rehab and an upgrade to the control tower. The amount of money the FAA granted is considerable. As the airport sponsor, the Port signed Grant Assurances that guaranteed that the Port, as airport sponsor, would maintain operations and defend the airport against adjacent development – *even when the property is not owned by the sponsor* -- that would negatively impact airspace and/or operations. This is spelled out very clearly by Grant Assurance 21 in the FAA Order 5190.6B, the formal agreement between the Port of Portland and the FAA.

'Grant Assurance 21, Compatible Land Use, relates to the obligation of the airport sponsor to take appropriate actions to zone and control existing and planned land uses to make them compatible with aircraft operations at the airport. The FAA recognizes that not all airport sponsors have direct jurisdictional control over uses of property near the airport. However, for the purpose of evaluating airport sponsor compliance with the compatible land use assurance, the FAA does not consider a sponsor's lack of direct authority as a reason for the sponsor to decline to take any action at all to achieve land use compatibility outside the airport boundaries.'

In this case, the Port of Portland is also the property owner who is selling to the developer in question, and in all cases, the FAA expects a sponsor to take appropriate actions to the extent reasonably possible to *minimize incompatible land use*.

When the existing Airport Layout Plan, current in 2011, is reviewed by the FAA, if the airport no longer meets that plan, if its operations and airspace use have been negatively impacted by development, the

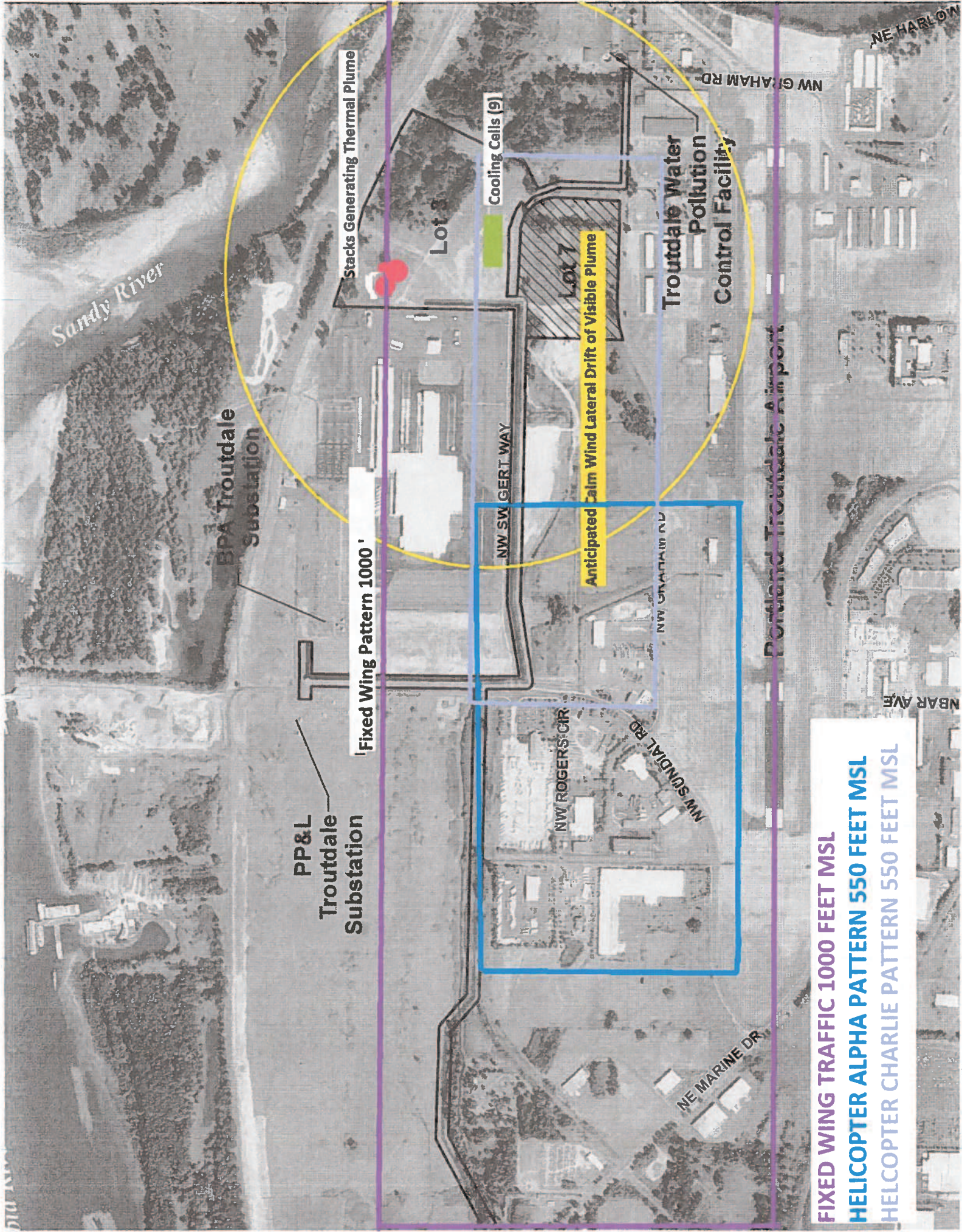
airport sponsor will be held accountable. The FAA can and does require an immediate return of all granted funds for the past 25 years, in such cases, and will issue no new grants.

The FAA has **NOT** approved this project. The Obstacle Evaluation Service merely evaluates physical structures proposed for adjacent property, and none of the stacks, towers, or poles proposed by Troutdale Energy Center, LLC's project intrude into Part 77 airspace, so the FAA has ruled them acceptable. At this time, the FAA does not yet rule on plume effect and has no process to do so. *That will not stop the FAA from holding the airport sponsor, the Port, in violation of the 5190.6B Grant Assurances after the fact.* The Oregon Pilots Association has had numerous conversations with FAA officials at the regional and national level and has received the same information each time – the FAA will not rule on the impact of this development at this stage, but it *will* rule on the impact after the plant is in operation.

This presents considerable risk to the Port, should the developer's prediction of 'no effect' be incorrect. From the OPA's observations of the Port Westward plant as well as their investigations into the effect of plants in locations such as Morgantown, West Virginia, where commercial airliners have been grounded after flying through a plume on approach to the airport, we suggest that the developer's predictions are less than accurate. The risks to pilot safety and airport operations are considerable, and the risk to the Port in terms of financial repercussions once the plant is in operation, seems to be equally considerable.

Please feel free to contact me with any further questions you have on this topic.

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FIXED WING TRAFFIC 1000 FEET MSL
HELICOPTER ALPHA PATTERN 550 FEET MSL
HELICOPTER CHARLIE PATTERN 550 FEET MSL