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Surface Transportation Board
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Public Record

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Re: Fin. Docket No. 35751, Iowa Interstate Railroad, Ltd. – Acquisition Exemption – Line of BNSF Railway Co.

Dear Chief Brown:

I am writing on behalf of the Iowa Department of Transportation (Iowa DOT), to express my client's vital and direct interest in the various filings that have been made as part of the above-named matter, and to ask that you expeditiously grant Iowa Interstate Railroad (IAIS)'s acquisition exemption petition. As discussed below, it is crucial for Iowa DOT that Board approval occurs by November 30, 2013.

The proposed acquisition at issue in this docket is a small piece of the Council Bluffs Interstate System (CBIS) Improvements Project. At present, the CBIS typically carries 20,000-75,000 vehicles daily, 11-25 percent of which are trucks. On some areas of I-80, vehicle traffic is more than double what was estimated during the original design. To make matters worse, traffic on I-80 between the I-29 interchanges is expected to increase to over 120,000 vehicles a day by 2030. Similarly, current traffic on I-29 north and south of I-80 averages 20,000 vehicles per day, a number that is expected to at least double by 2030.

Recognizing the serious, regional traffic problems that are confronting the CBIS project area, Iowa DOT, Nebraska Department of Roads (NDOR), and the Federal Highway Administration (FHWA) are proposing to improve the interstate system around Council Bluffs with improvements extending across the Missouri River on I-80 to near 24th Street, where I-80 diverges with I-480 (westbound) and converges with U.S. 75 (eastbound) in Omaha, Nebraska. The project involves long-term, broad-based transportation improvements along I-80, I-29, and I-480, including approximately 18 mainline miles of interstate and 14 interchanges (3 system, 11 service), that would add capacity and correct functional issues along the mainline and interchanges and upgrade the I-80 Missouri River Crossing. These improvements, once implemented, would bring the segments of I-80 and I-29 up to current engineering standards and modernize the roadway to accommodate future traffic needs.

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Segment 3 of the CBIS Improvements Project includes railroad consolidation at locations where the highways pass over both railroad tracks and yards. The three active railroads affected by the reconstruction project are BNSF Railway Company (BNSF), a Class 1 railroad; Iowa Interstate Railroad (IAIS), a Class II regional railroad; and CBEC Railway (CEC), a Class III short line railroad that is owned by two large electric utilities. The planned CBIS improvements will sever BNSF's Council Bluffs Subdivision just south of the BNSF's Council Bluffs Yard and the Bartlett Grain South House. The new interstate route will instead pass through IAIS's Council Bluffs Yard.

The CBIS Improvements Project has been studied for more than a decade, and will cost taxpayers approximately \$2 billion. Iowa DOT and FHWA have already prepared a Tier 1 Environmental Impact Statement, and additional Tier 2 environmental studies for three of the project segments. The STB served as a cooperating agency for the Tier 2 environmental study for Segment 3. The construction work described in the rail relocation packages presently before the Board in this docket (and in Finance Docket No. 35755) is a small but vital piece of the heavily coordinated development of project segments and phased construction. Any delay of these rail relocations has the ability to halt the current progress and prevent future projects from going forward. Indeed, in a letter dated August 23, 2011, FHWA stated that it "will not authorize any projects in Segment 3 until all necessary agreements have been signed and Surface Transportation Board permits are approved, if necessary."

In light of these crucial timing issues, the Master Agreements concerning the rail relocation at issue in this proceeding required that various contingency items, including STB approvals, be completed by November 30, 2013. This date also serves as an expiration clause applicable to the entire agreement, essentially allowing any of the partnering railroads the ability to cancel the agreement if STB approval is not obtained. If the Master Agreements were to be canceled, it would result in an entire redesign of the CBIS Improvements Project, with massive cost implications to design, right of way acquisitions, and reallocation of project funds.

All relevant parties, including Bartlett Grain, have been discussing the rail relocations that are the subject of this docket for many months. Neither the IAIS petition for acquisition exemption, the more recently filed BNSF/CEC/IAIS/Union Pacific joint relocation project notice of exemption (Fin. Docket No. 35755), nor the November 30 deadline, should come as a surprise to any of the interested parties. In keeping with its commitments, IAIS has requested Board action in this matter before November 30, 2013. Iowa DOT believes that the filings from Bartlett Grain and Kansas City Southern Railway lack merit, and should not endanger that date, especially in light of the potential for disruption of the entire CBIS Improvements Project.

We would be happy to provide more information on these issues, if that would be valuable to the Board's decision making process.

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Sincerely,

Handwritten signature of Kathryn K. Floyd in cursive script.

Kathryn Kusske Floyd

cc: Parties of Record