

1.0 PURPOSE AND NEED

On March 9, 2007, the Itasca County Regional Rail Authority (ICRRA), a political subdivision established under Minnesota law for the purpose of owning, constructing, and operating railroads in Itasca County, Minnesota, filed a petition with the Surface Transportation Board (Board), pursuant to 49 U.S.C. 10502, for authority to construct approximately 9 miles of new railroad line in Itasca County, Minnesota. Under 49 U.S.C. 10502 the Board must exempt the proposed construction of a rail line from the requirements of 49 U.S.C. 10901 if it finds that regulation of the project: (1) is not necessary to carry out the transportation policy of 49 U.S.C. 10102; and (2) either: (a) the transaction or service is of limited scope, or (b) the application of a subdivision of subtitle IV of the ICC Termination Act of 1995 is not needed to protect shippers from the abuse of market power.

The primary purpose of the project is to provide an efficient means of transporting finished product via rail from a taconite mine and steel mill to be constructed by Minnesota Steel Industries, LLC (Minnesota Steel) by connecting to an existing rail line, providing dual rail-line access. A connection at Taconite would allow rail access to two rail carriers (BNSF and CN), promoting competition for rail freight rates. Figure 1-1 provides an overview of the project area. The proposed rail line would be used to transport small shipments of construction materials¹ and large shipments of steel slabs and taconite pellets associated with the steel mill operation.

The primary customer for the rail line would be Minnesota Steel. ICRRA anticipates that additional rail-based industry might locate along the rail line in the future, providing additional employment opportunities for nearby residents. ICRRA believes that a rail line would minimize air and noise pollution by utilizing rail service instead of over-the-road trucking services. A rail line would also minimize congestion associated with the

¹ Construction activities associated with Minnesota Steel are anticipated to start in 2008. Preliminary construction would be limited to earth-moving activities for site preparation. It is anticipated that the actual construction of the mill and ancillary structures would begin in late 2008 or early 2009, during which time the proposed rail line could be used to deliver construction materials and supplies.

truck traffic the Minnesota Steel plant would generate. It is expected that up to 90 percent of the finished product leaving Minnesota Steel would be shipped via rail, avoiding the heavy-truck traffic and associated costs of truck transportation (MNDNR and USACE 2007).

Itasca County is located in the Iron Range of northern Minnesota approximately 80 miles northwest of Duluth and approximately 205 miles north of Minneapolis. According to the U.S. Census Bureau (2000), the population of Itasca County is approximately 44,700, and the principal economic activities include timber harvesting, iron mining, farming, and tourism. Itasca County hopes the construction of the Minnesota Steel plant and the associated proposed rail line will attract new industry to the area.

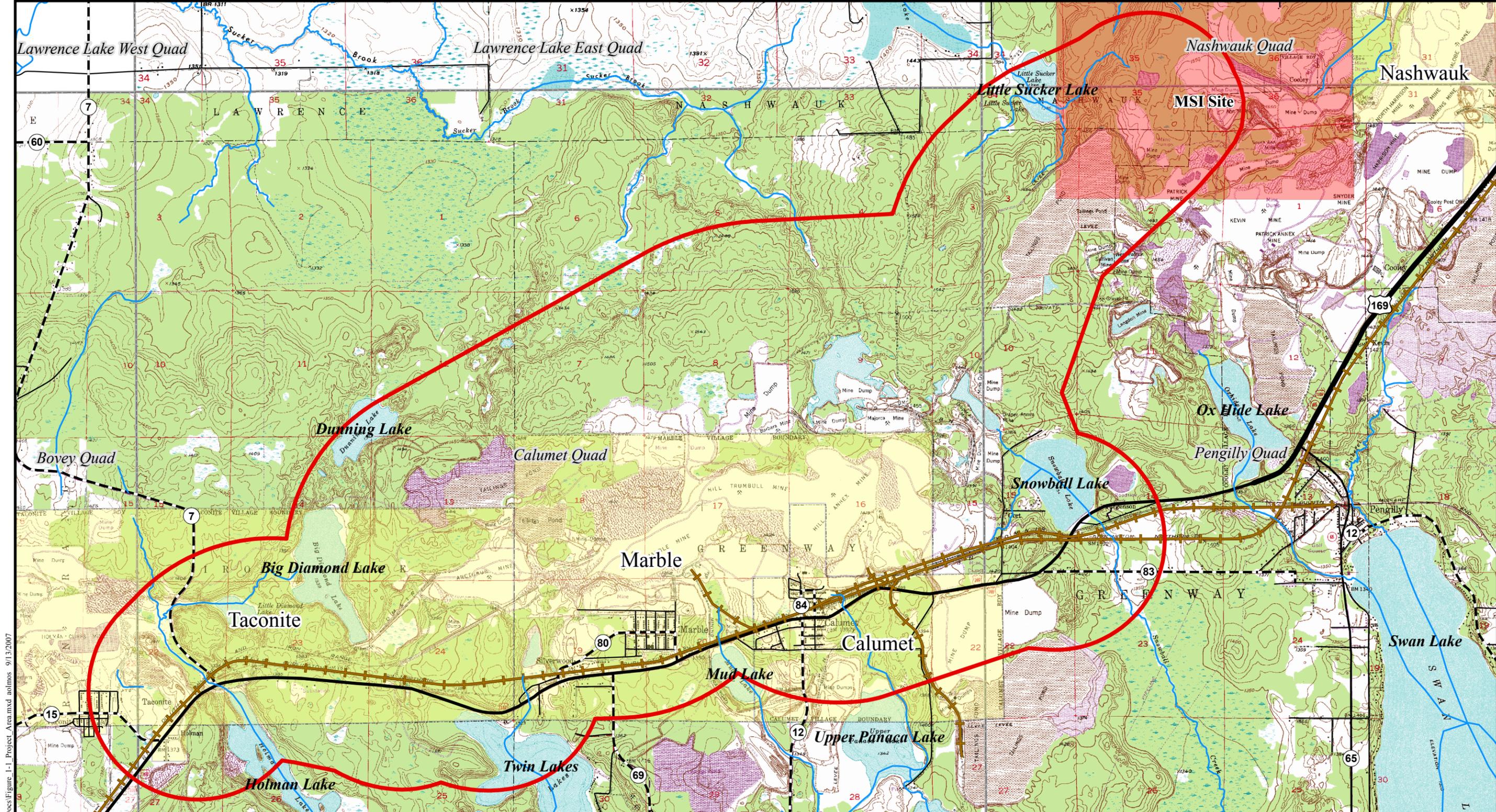
On August 24, 2007, ICRRA submitted a written request to the Board for a waiver of the preparation of an Environmental Impact Statement (EIS) which is normally required by the Board's regulations for rail line construction proposals (Appendix B, Exhibit 1). On September 6, 2007, SEA granted a waiver from the requirement to prepare an EIS (Appendix B, Exhibit 2), indicating that preparation of an environmental assessment (EA) seemed appropriate for this project because:

- The project area is not heavily populated, with few roads, and therefore safety impacts would not be expected to be significant.
- There would be no diversion of existing freight traffic to or from other transportation systems or modes.
- The proposed action would not appear to adversely affect or conflict with existing land use plans.
- No existing natural gas or petroleum pipelines would be crossed by the proposed rail line.

- Any transmission lines² crossed by the rail line would be protected in accordance with industry standards.
- No significant impact to local or regional air quality would be expected.
- No sensitive noise receptors would be adversely affected by the project.
- It does not appear that the proposed action would have lasting, adverse impacts on surface or groundwater resources.
- There are no wildlife sanctuaries, refuges, national or state parks or forests that would be affected by the proposed action.
- The area is not a designated critical habitat for any wildlife species.
- No known archaeological sites occur along or in the vicinity of the proposed rail alignment.

The USACE requested to participate as a cooperating agency in SEA's environmental review in a letter dated May 21, 2007, because of Clean Water Act Section 404 permitting requirements for the project (Appendix A, Exhibit 10). The USACE has participated as a cooperating agency in the preparation of this environmental assessment.

² There are two existing 115-kV overhead transmission lines within the project area. One of these transmission lines is scheduled to be removed prior to construction of the rail line because it runs through an area to be mined by Minnesota Steel. A decision has not yet been made as to whether or not the other existing line will remain or be removed as well.



R:\Itasca County\44941\GIS\DataFiles\ArcDocs\Figure 1-1 Project Area.mxd aolmos 9/13/2007

<p>LEGEND</p> <ul style="list-style-type: none"> Minnesota Steel Site Boundary Municipality Areas Project Area Boundary USGS Quadrangle Existing Railroad 	<p>3,500 0 3,500</p> <p>Feet</p> <p>NORTH</p>	<p>Figure 1 - 1</p> <p>Itasca County Regional Railroad Authority</p> <p>Project Area Map</p>
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Source: AMEC; Minnesota DNR - Division of Fish & Wildlife.