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August 3, 2010

**VIA ELECTRONIC MAIL AND POSTAL
SERVICE**

Victoria J. Rutson
Chief
Section of Environmental Analysis
Surface Transportation Board
395 E Street, SW
Washington, DC 20423

Re: Response to Request for Information, Finance Docket No. 35095, The Alaska Railroad Corp. – Petition for An Exemption From 49 U.S.C. § 10901 To Construct and Operate a Rail Line Extension to Port MacKenzie, Alaska

Dear Ms. Rutson:

I am writing this letter on behalf of the Alaska Railroad Corporation (ARRC) to provide responses to the requests for additional information that we received from the Section of Environmental Analysis (SEA) in a letter dated June 10, 2010. As your letter suggests, ARRC has consulted with the Matanuska-Susitna Borough in preparing these responses.

1. Purpose and Need

Your letter notes that “several commenters . . . raised concerns about the Purpose and Need for the proposed rail line.” As an initial matter, it is important to recognize that some of these commenters’ questions stem from a faulty premise: that the Purpose and Need statement in the Environmental Impact Statement (EIS) for the project must demonstrate an immediate, unsatisfied demand for rail service to and from the Port. Defining “need” in such a narrow manner is not consistent with NEPA regulations or guidance.

Council on Environmental Quality (CEQ) regulations simply require an agency to “briefly specify the underlying purpose and need to which [it] is responding in proposing the alternatives including the proposed action.” 40 C.F.R. § 1502.13. As CEQ explained in a 2003 guidance letter, the purpose and need section of an EIS is “typically one or two paragraphs long,” and useful for “general context and understanding.” Letter from James L. Connaughton, Chairman, CEQ to Norman Y. Mineta, Secretary, U.S. Dep’t of Transp. (“CEQ Guidance Ltr.”) (May 12, 2003). “When an agency is asked to sanction a specific plan,” moreover, it “should take into account the needs and goals of the parties involved in the application.” *Citizens Against Burlington, Inc. v. Busey*, 938 F.2d 190, 196 (D.C. Cir. 1991). Likewise, “federal agencies should respect the role of local and state authorities in the transportation planning process and

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appropriately reflect the results of that process in [their] analysis of purpose and need.” CEQ Guidance Ltr. at 1 (citing *North Buckhead Civic Ass’n v. Skinner*, 903 F.2d 1533 (11th Cir. 1990)).

Agency statements of purpose and need must also “consider the views of Congress, expressed . . . in the agency’s statutory authorization to act, as well as in other congressional directives.” *Citizens Against Burlington*, 938 F.2d at 196. Most relevant here, the STB is statutorily obligated to approve new rail construction so long as it is not inconsistent with the public interest. See 49 U.S.C. § 10901(c). ARRC’s corporate goals also include the promotion of long-term economic growth and development in the State of Alaska. Furthermore, the State recently appropriated \$35 million for design and construction of the rail extension to Port MacKenzie. This investment shows that the Alaska legislature likewise considers the rail extension vital to the economic growth and development of the Borough and the State.

Port MacKenzie is the only significant port on the west coast of North America without a rail connection. The Draft EIS explains that the Matanuska-Susitna Borough has long planned for a rail line to Port MacKenzie, including it in the Borough’s 1997 Long Range Transportation Plan and conducting a preliminary study of corridor alternatives in 2003. DEIS at 1-3. The Borough has also commissioned several studies in connection with its planning documents, the most recent of which show that construction of a rail line would facilitate a growth in exports from the port, creating a more economical means of shipping bulk commodities from Interior Alaska.

The relevant economic studies focus on how Alaska’s abundant natural resources could be a source of shipments over the rail extension to Port MacKenzie. Of course, predicting which resources would be developed when is impossible. But by calculating the economic potential of Interior Alaska and accounting for the cost savings that a rail extension to Port MacKenzie would provide, the studies confidently forecast that resource development would occur if an extension were built. The available resources include:

- **Mineral aggregate (sand and gravel).** The Port MacKenzie area itself has extensive gravel resources (in excess of 100 million cubic yards) that could be shipped out along the rail extension and used as ballast by ARRC itself. Paul A. Metz, *Final Report, Economic Analysis of Rail Link Port MacKenzie to Willow, Alaska, Phase II – Possible Rail Extension Users Analysis* at 11-12 (Nov. 2007).
- **Lime and cement.** Large limestone resources (an estimated 1.6 billion tons) exist approximately 38 miles north of Fairbanks. A rail extension to Port MacKenzie could make it economical to ship this lime to Southwest Alaska users. Metz at 13.
- **Forest products.** The Susitna Valley and Tanana Basin have over 1.6 billion board feet of forest resources, with a sustainable yield of approximately 30 million board feet per year. Given the strong demand for wood products in the Pacific Rim, this resource could be developed if a rail extension is built.

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- ***Metallic minerals.*** Massive mineral deposits exist along the ARRC rail line, including Sedimentary Exhalative Zinc-Lead, Kuroko Volcanogenic Sulfide Copper-Zinc-Lead-Silver-Gold and Porphyry Copper-Molybdenum. The rail extension to Port MacKenzie would significantly lower the cost of transporting these minerals, thereby making development of new mines economically feasible. Metz at 21-25.
- ***Coal.*** Because the rail extension would make shipping to tidewater cheaper, existing producers of bulk materials might increase their production. One study, for example, concluded that the “favorable economics” of shipping by rail to Port MacKenzie could result in increased export of coal. Institute of Social and Economic Research, *Benefit-Cost Assessment of the Port MacKenzie Rail Extension, Final Report* at 13 (June 20, 2008). Consistent with this projections, Usibelli recently shipped a small amount of coal to Port MacKenzie via truck to test the loading equipment at the deep water dock, which it found completely satisfactory.

In sum, the studies show a strong potential for economic development of natural resources if the Port MacKenzie rail extension is constructed as planned. Thus, the underlying, long-term need for the proposed Port MacKenzie Rail Extension is to facilitate economic development, both locally and throughout the state.

Because its focus will be on bulk commodity shipments—many of which would be the result of new economic development—ARRC believes that a rail-connected Port MacKenzie will primarily complement, not compete with, the nearby Port of Anchorage. The studies discussed above demonstrate that by providing a shorter rail route to Interior Alaska and nearly 9,000 acres of available land, the project will facilitate growth. The resources available in Interior Alaska are sufficient to support multiple ports, each of which offers its own advantages to shippers. To put it another way, the opening of a rail line to Port MacKenzie would allow both Port MacKenzie and the Port of Anchorage to grow more than they would in the absence of such a line. Alaska needs and will continue to use all of its ports.

All of this analysis is consistent with the statement of Purpose and Need as it is written in the Draft EIS. ARRC is submitting the relevant economic benefit studies with this letter. In addition, ARRC suggests adding the following sentence to the end of Section 1.2 on page 1-4 of the Draft EIS: “By creating a rail connection with Port MacKenzie, the proposed project will make the development of existing natural resources more economically feasible, including the coal, limestone, timber and metallic mineral resources that exist along the Alaska railroad corridor.”

2. Route Alternatives

Multiple comments, as well as SEA’s request for information, suggest that a modification of the route alternatives would be helpful. ARRC believes that the best way to improve the existing alignments is to modify the Mac East alternative in a manner that will minimize

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environmental impacts and avoid hindrances to development in the vicinity of Point MacKenzie Road. Accordingly, ARRC is preparing to submit a detailed description and analysis of a modified Mac East Variant route that follows a slightly more westerly alignment. ARRC requests that this modification be included in the Final EIS. The Mat-Su Borough's Transportation Advisory Board has reviewed this proposed route variation and passed a resolution supporting its selection as the preferred alternative for the Port MacKenzie Rail Extension project.

As ARRC's separate submission will describe in more detail, the Mac East Variant segment would pass through the Port MacKenzie Agriculture Project Area approximately 150 feet east of the section lines to allow the railroad right-of-way limits to remain clear of the section line easement and the easement to remain unoccupied for potential future use. At MP MEV5, the segment would cross to the western side of the section line for approximately one mile and then head slightly east to occupy the section line. Along the section line at approximately MP MEV 7, the embankment would cross a deep depression. The segment would continue north until its junction with Connector 2 (7.7 miles from the exit of terminal reserve) and continue on to a Connector 3 (11.9 miles total), which is 1.65 miles north of the Connector 2.

The Mac East Variant is superior, both environmentally and practically, to the Mac East segment alternative in the Draft EIS. For example, the Mac East Variant would impact six fewer acres of wetlands than the original Mac East alternative. The Mac East Variant would also impact 126 fewer acres of forested habitat than the original Mac East alternative. Because the Mac East Variant would be constructed and operated in an area that has already been disturbed, it likely would have fewer archeological and cultural resource impacts than the original Mac East alternative. More information about the Mac East Variant's improvements will be contained in the Mac East Variant Assessment document.

SEA's information request also contains several specific questions about routes that were not included in the Draft EIS as alternatives. ARRC's responses to those inquiries appear below:

- **Knik Goose Bay Road alignment.** An alignment similar to the one described in SEA's information request letter was considered and rejected as part of ARRC's Preliminary Environmental and Alternatives Report (PEAR). Knik Goose Bay Road is the only major arterial roadway in the region, connecting nearly 100 square miles to the south and west with the entire Alaska roadway network. Development along the corridor, both residential and commercial, is continuing. The location of a railway alignment along the north side will significantly conflict with this development by creating multiple grade crossings and impacting private property. The alignment would also likely impact the Knik Historical townsite. The PEAR noted that a corridor (Corridor 9) between Knik Goose Bay road and what became the Big Lake segment in the Draft EIS would pass through a large amount of private property, which was a serious concern to the public. Similar alignments in the same vicinity would face the same problem. Because of these

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significant environmental and practical considerations, the PEAR concluded that such alternatives would be infeasible, and eliminated from further consideration.

- **Shift in Connector 3 and Mac East segments.** In its comment letter, Cook Inlet Region, Inc. ("CIRI") Alaska Native Corporation requests that the southern end of Connector 3 and Mac East segments be shifted to the west. (Although the information request asks about the Mac West segment, it appears to be talking about CIRI's objection to Mac East.) ARRC believes that CIRI's concerns will be addressed by the adoption of the Mac East Variant discussed above. ARRC maintains an open dialogue with CIRI and is actively negotiating a right-of-way corridor through their property. It will address any specific concerns as they arise.
- **"East Bank of Susitna River" alignment.** The east bank of the Susitna River is approximately 10 miles from Port MacKenzie and the proposed alignments described in the Draft EIS. A similar alignment was considered in the PEAR. Traveling all the way to the Susitna River would create the longest, most expensive and least efficient of all proposed routes. The soils along this route are generally unsuitable to rail construction. Moreover, the Susitna River is a semi braided river subject to substantial changes in course year-to-year, making rail construction extremely difficult. Finally, any alignment along the East Bank of the Susitna River would impact a considerable amount of wetlands. For all of these reasons, such an alignment is both infeasible and environmentally unfavorable, and should be eliminated from further consideration.
- **"East of Guernsey Road" alignment.** ARRC believes that its proposed Mac East Variant is essentially the same as the "alignment along the first north-south section line to the east of Guernsey Road" described in SEA's information request letter. ARRC believes this alignment is feasible. As mentioned above, the Mat-Su Borough Transportation Advisory Committee recently passed a resolution selecting this Mac East Variant as its preferred route alternative.

3. Access Road

ARRC's plans for the Port MacKenzie Rail Extension include a permanent access road that runs the entire length of the new line. This road would be installed before the rail line itself, and initially used to accomplish the construction of the rail extension. See Draft EIS at 2-3. Access roads are a standard part of any new rail line construction. In fact, it is impossible to construct a new line without an access road. It is standard practice to leave those roads in place after the rail line is complete, because the roads are still used for maintenance of the track and rail bed, emergency access to the line, and other miscellaneous needs. The existence of an access road makes operation of the adjacent rail line cheaper and safer for all involved. To reduce the project impacts to sensitive habitat, the access road shares the embankment with the railroad track, keeping the embankment footprint to a minimum.

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SEA's information request asks whether it would be "feasible for the proposed rail line to be constructed and operated without an access road," and whether such a road could be limited to "certain portions" of the rail line. As already noted, the access road is an essential part of the construction of the rail line. There is no feasible means of building the extension that does not involve first building at least one access road. The most efficient and environmentally friendly road for construction purposes is one that runs alongside the planned route of the rail line. (The alternative would be to cut multiple access roads from supply areas across land that ultimately would not be used for the rail line.) An access road is also the most efficient way of maintaining the rail line during operations. Not all of the regular work on the track necessary for safe operation can be performed using rail-mounted equipment. The access road will give ARRC the ability to send in workers who can make quick repairs when they are needed. Additionally, constructing the access road in this fashion mitigates potential impacts to moose due to collisions. The widened embankment provides additional room for moose to escape the railway vehicle envelope.

SEA also asks how ARRC intends to prevent the general public from using the access road. As an initial matter, it is important to recognize that the access road will run very close to the rail line, making it both impractical and unsafe as a public way. Because there are alternative ways for the public to travel from the Houston-Wasilla area to Port MacKenzie that are speedier and safer, it is unlikely that the public will have reason to use the access road. But to prevent trespassing, ARRC will set up barriers at likely points along the access road where someone might take their personal vehicle onto ARRC's property.

4. Elevated Track

In its information request, SEA asks ARRC to provide information about the feasibility—and in particular, the cost—of "elevating the proposed rail line on a trestle across wetlands and floodplains." In general, it costs approximately \$13,000 per foot to build an elevated rail trestle. By contrast, the cost of a standard rail line constructed at ground level is approximately \$ 1,000 per foot. Each of the proposed alternatives in this case would cross significant stretches of wetlands and floodplains. Assuming a 35-mile project, the elevation of less than 1.5 miles of track would add 50% to the overall project cost. Less than 3 miles would double the overall project cost. That added cost alone makes trestle construction infeasible.

5. Water Crossings

SEA's information request letter asks for an update on the "water crossing structures" that ARRC plans to use "at each potential crossing identified in the Draft EIS." As SEA's letter acknowledges, ARRC has committed in its voluntary mitigation measures to implement bridge design recommendations in the National Marine Fisheries Service (NMFS) 2008 publication "Anadromous Salmonid Passage Facility Design." ARRC will provide a further response to the request under separate cover.

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6. Trail Crossings

SEA has requested a "preliminary design and cost estimate for typical crossing(s) that would accommodate snowmachiners, dog sleds, other recreationists and/or moose and other wildlife," along with the cost of such crossings. That information is appended to this letter.

7. Matanuska Electric Association (MEA)

In its comments on the Draft EIS, MEA proposed the collocation of power lines in the right-of-way for the rail extension. As noted in the Draft EIS, the right-of-way was designed to accommodate the addition of above-ground and buried utility lines. See Draft EIS at 2-1 & Fig. 2-1. Obviously, any additions or changes to the rail right-of-way will be the subject of negotiation. But ARRC does not have any objections in principle to MEA's proposal, and notes that the Draft EIS has already accounted for all potential environmental impacts.

8. Property Acquisition

SEA's letter contains several separate requests related to the acquisition of property for the new rail line: (1) a description of the way in which ARRC plans to "identify and acquire property to replace public park and refuge land if such land were taken for construction of the proposed rail line"; (2) a description of the process ARRC intends to follow "for acquiring or vacating section line easements" in cases where the rail line would cross an easement without providing a trail or road crossing; (3) a list of the private property parcels that ARRC would acquire for each alternative, as well as "the acquisition process that ARRC plans to follow"; and (4) "verification" that particular residences and businesses identified by the agency would or would not be acquired if a given segment were part of an alternative authorized by the Board.

At this time, the Mat-Su Borough will be acquiring the right-of-way for the project based on relevant regulatory requirements and design refinements that are just now underway. Before the operation of the rail line commences, appropriate interest in the right-of-way will be transferred to ARRC. In reference to item (1), every effort is being made to avoid public parks and refuges. The proposed route alternative as endorsed by the Mat-Su Transportation Advisory Board resolution demonstrates this by avoiding all parks and refuges throughout the project area.

The process for vacating section line easements (2) is presently being evaluated, but is expected to follow state statutes and processes for vacation. It is impossible to specifically identify all properties which will be purchased (3) as part of this action until the design, permitting, and right-of-way negotiations are more developed. Progress is being made, but because the project is substantially funded by the State of Alaska, and because ARRC and the Borough are public entities, no final acquisitions will be made until the Board approves the rail extension. If and when such approval issues, the Borough will pursue right-of-way as needed, consistent with Borough and state laws and guidelines.

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With reference to the 203 parcel exhibits you have supplied, we have categorized them as follows:

No property needed: 1 -10, 14, 61-67, 76-78, 80-82, 102, 107-110, 112, 115-127, 129-132, 141-144, 169, 184.

Partial property consistent with the proposed 200-foot ROW: 11, 12, 17, 20, 23-25, 45-47, 55, 68, 70, 79, 85-92, 94-96, 100, 101, 128, 136, 138-140, 145-147, 159-162, 166-168, 171-172, 178, 180, 188-195, 200, 201.

Partial property plus additional area effectively damaged as an uneconomic remnant: 18, 19, 21, 22, 28, 30-32, 34-37, 39-41, 43, 44, 53, 54, 57, 69, 71, 73, 74, 93, 97, 98, 111, 133-135, 137, 148-152, 154-158, 163, 164, 179, 196-199.

Total takes due to either taking of structures or the remainder of the property would become an uneconomic remnant: 13, 16, 26, 27, 29, 33, 38, 42, 48-52, 56, 58, 59, 72, 75, 83, 84, 99, 106, 113, 114, 153, 165, 170, 173-177, 181-183, 185-187, 202, 203.

9. Town Center Site

Because several commenters asked about a future town center in the Port MacKenzie area, SEA's information request letter asks ARRC to discuss the "feasibility" of locating such a town center somewhere other than "the intersection of Point MacKenzie and Burma roads." ARRC does not believe that the Houston South/Mac East Variant alignment—located to the west of the intersection of Point MacKenzie and Burma Roads—that was selected by the Mat-Su Borough as its preferred alternative will adversely impact the ability of the Borough to develop a town center. Moreover, it is important to recognize that there is no existing town center, and no time frame for the development of such a center. Accordingly, ARRC believes it is feasible to move the planned center to any number of alternative locations.

10. Wetlands

SEA's letter asks for the GIS shape file of the project footprint that ARRC used to more accurately determine the wetlands impact of the project. ARRC is providing this information to SEA's consultants by separate transmittal of the requested shape file.

11. Unexploded Ordinance (UXO)

Noting that ARRC has been working with the military to develop a protocol for dealing with UXO in the project area, SEA requests a copy of ARRC's UXO training and procedures. ARRC will provide UXO training available to all contractors working within the impact area. This is consistent with policies, procedures, and practices for heavy civil construction in the area for years.

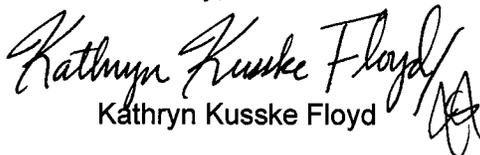
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12. Port MacKenzie

Citing comments by EPA that reference "compressed or liquefied natural gas storage/export facilities being planned for the Port MacKenzie area," SEA requests "available information on the description, location, and schedule of development of such a facility." The idea of a liquefied natural gas facility, however, is just one of several potential uses for land at the Port MacKenzie industrial facility, all of which are still the subject of ongoing negotiations.

I hope this information is helpful to SEA. As always, ARRC remains available to discuss these responses as needed.

Sincerely,


Kathryn Kusske Floyd

cc: David Navecky
Alan Summerville
Brian Lindamood

Attachments:

Paul A. Metz, *Final Report, Economic Analysis of Rail Link Port MacKenzie to Willow, Alaska, Phase II – Possible Rail Extension Users Analysis* (Nov. 2007)

Institute of Social and Economic Research, *Benefit-Cost Assessment of the Port MacKenzie Rail Extension, Final Report* (June 20, 2008)

Trail Crossing Design Information