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Chairman Daniel R. Elliot III
Surface Transportation Board
395 E Street, SW
Washington, DC 20423-0001

May 7, 2010

Keith G. O'Brien
2401 Pennsylvania Avenue, NW
Suite 300
Washington, DC 20037

RE: Escanaba & Lake Superior Railroad Company
Petition to Abandon 42.3 Miles of rail line in
Ontonagon and Houghton Counties, Michigan
STB Docket Number AB-415-2X

ENTERED
Office of Proceedings

JUN 25 2010

Part of
Public Record

Gentlemen:

I am writing on behalf of Ontonagon County. Ontonagon County is opposed to the petition filed by Escanaba & Lake Superior Railroad Company under 49 U.S.C. 10502 for exemption from the provisions of 49 U.S.C. 1903 for the abandonment of approximately 42.93 miles of rail line in Ontonagon and Houghton Counties, Michigan, which was filed on April 9, 2010 and published in the Federal Register, Vol. 75, No. 80, April 27, 2010.

E&LS Railroad has, in its petition, explained that it has suffered a decrease in service over the last few years principally because of decreased use by the now closed Smurfit-Stone paper mill located in Ontonagon, Michigan. The petition indicates that usage has decreased to approximately 1.5 trains per week. The petition further claims E&LS will incur losses associated from the ownership of "an essentially moribund asset".

While it is true that Smurfit-Stone has closed its mill and no longer utilizes the E&LS rail system, Smurfit-Stone is working with the local community to obtain new ownership of the mill properties which will result in the reutilization of the mill and the potential use and necessity for the rail system as it currently exists. Smurfit-Stone is currently in a Chapter 11 bankruptcy proceeding but has through its representatives indicated that they are moving forward with their agreement to further the process to sell the Ontonagon Mill property.

Smurfit-Stone has now completed their confirmation hearing, and will hopefully emerge from chapter 11 proceedings in the coming weeks. Smurfit has advised that they will now have additional resources available to move forward with the sale process for the mill, and have engaged consultants to assist in the process. The company believes that there could be attractive alternative use markets for the mill, and wants to proceed as quickly as they can, and work with local resources to achieve that result.

To that end the Ontonagon Community has been working to obtain alternative uses for the mill and has recently received an indication from U.P. Steel, Inc. that they are interested in the mill properties. As a part of their letter of interest they have indicated the potential use and necessity of the rail line requiring up to 20-25 rail cars per day.(see attached letter dated April 30, 2010 from U.P.Steel, Inc.) Without this rail line, the community of Ontonagon will potentially lose valuable employment and revenue. It is anticipated that the mill property will be sold and re-utilized in the fairly short term. As a result of the selling of the mill property it would be VERY likely that E&LS will reap a large return for the continued existence of the rail line.

Ontonagon County will, if E&LS is allowed to abandon the rail line suffer the prospect of not being able to effectively market the mill property and as a result will suffer additional loss of employment and loss of revenue necessary for the infrastructure of the county.

There are no entities known that would suffer should the STB deny or at least stay the abandonment of the rail line so as to allow this community to regain an employment base. The community as a whole has supported the re-utilization of the mill properties as can be seen by the over 2,200 letters sent to Judge Brendon Shannon in the Smurfit-Stone bankruptcy proceeding, encouraging the court to require the debtor to assist in the selling on the mill property.

On behalf of Ontonagon County, I request the STB to deny the requested petition, stay the petition or at the very least hold hearings in the affected areas so as to better determine the devastating effect of the abandonment of this rail line.

Sincerely:



James R. Jessup
Ontonagon County Prosecuting Attorney

U. P. Steel, Inc.

MTEC Smart Zone, 200 Michigan St., Suite 438, Hancock, MI 49930

April 30, 2010

Mr. Scott Frazer
City Manager
Village of Ontonagon
315 Quartz Street
Ontonagon, MI 49953

Mr. Frazer,

U. P. Steel is a Michigan S-Corp, originally established in 2001, and is commercializing the Microwave Iron and Syngas Co-Production Technology.

The process consists of state-of-the-art microwave, iron ore, biomass, and coal processing equipment, iron and syngas production systems, storage facilities, and other support functions. The process is completely "green" with no emissions, little to no waste products, and close to 100% feed material utilization. Our main product is syngas (synthetic natural gas either used to generate power or converted to other fuel products), with by-products being iron nuggets (feed to foundries and mini-mills) and slag (used in the construction industry). Markets for the iron nuggets currently exist in a number of locations throughout the Midwest, and as close as Kingsford, MI. The syngas will either be used locally to generate power, dry other products, or converted to other fuels including gasoline, diesel fuel, ammonia, etc., for local consumption and shipment outside Ontonagon. The price for these products is consistent with current demand.

The investment in the first plant will be approximately \$20MM. Subsequent plants will be less capital intensive, but still will require significant investment into Ontonagon. The former Smurfit Stone facility lends itself well to installation of the Microwave/Syngas production units. A fair share of the infrastructure at the current mill site will be directly adaptable to the new process including wood storage, handling and processing systems, coal storage, handling and processing systems, electrical power grid and distribution systems, cooling water systems, and the railroad.

The UPSteel facility will operate 24 hour per day, 7 days per week, 300 days per year (assuming 82% up time), and requires incoming raw materials and outgoing products that need to ship year round. The raw materials includes iron ore (in a powder or lump form) that is shipped ideally via rail, limestone and coal which would be well suited with rail shipment, and biomass (wood and other products) which can be shipped via truck from the local wood basket, but most likely via rail from more distant sources. The existence of rail transportation in Ontonagon is critical to the success of the project.

We have proposed constructing a series of furnaces in Ontonagon, beginning in late 2010, and expanding the facility as customers are added for the products and the technology grows. The ramp-up is anticipated as follows:

Late 2010: One 5 TPH plant, 15-20 Employees, 5 TPH Iron Ore, 2.5 TPH Biomass, 1.2 TPH Coal, 0.5 TPH Limestone, 27,300 Tons of Iron Nuggets per year to ship. 2-3 rail cars per day incoming and outgoing.

2011 - 2012: One 5 TPH and Four 10 TPH plants added to total 50 TPH iron ore, 80-100 Employees, 25 TPH Biomass, 12 TPH Coal, 5 TPH Limestone, and 273,000 Tons of Iron Nuggets per year to ship. We are estimating that this will require 20-25 rail cars per day incoming and outgoing.

We anticipate growth for 2013 and beyond.

If you have any questions, or need additional information, please don't hesitate to call or email.

Thank you,



Richard W. Kauppila,
Vice President Operations
UPSteel Inc.
906-869-3100