



SURFACE TRANSPORTATION BOARD
Washington, DC 20423

Sent by email 2/20/08

E0-814

Office of Economics, Environmental Analysis and Administration

February 20, 2008

Mr. Donald Perrin
Office of Project Management/Permitting
Southcentral Regional Office
Alaska Department of Natural Resources
Anchorage, Alaska 99501

Re: STB Finance Docket No. 35095, The Alaska Railroad Corporation – Petition for
Exemption to Construct and Operate a Rail Line Extension to Port MacKenzie,
Alaska

Dear Mr. Perrin:

I am writing to invite the Alaska Department of Natural Resources (ADNR) to be a cooperating agency in the preparation of the environmental review described below:

The Alaska Railroad Corporation (ARRC) plans to file a petition with the Surface Transportation Board (Board) pursuant to 49 U.S.C. 10502 for authority to construct and operate approximately 30 to 45 miles of new rail line connecting the Matanuska-Susitna Borough's Port MacKenzie (or Port) in south-central Alaska to a point on the ARRC main line between Wasilla and north of Willow, Alaska. The proposed Port MacKenzie Rail Extension would provide freight service between the Port and Interior Alaska and would support the Port's continuing development as an intermodal and bulk material resources export and import facility. The Port is owned by the Matanuska-Susitna Borough (MSB) and MSB is a co-sponsor of the proposed rail extension.

The construction and operation of this project has the potential to result in significant environmental impacts. Therefore, the Board's Section on Environmental Analysis (SEA) determined that the preparation of an Environmental Impact Statement (EIS) is appropriate. SEA issued a Notice of Intent to Prepare an Environmental Impact Statement and Draft Scope of Study on February 12, 2008, and will hold public scoping meetings in March 2008 as part of the EIS process.

Based on agency consultations conducted by SEA and its third-party contractor (ICF International) for this proposed project, SEA determined that the project could impact land and other natural resources under the jurisdiction of ADNR. Therefore, consistent with 40 CFR

1501.6, SEA would like to extend an invitation to ADNR to be a cooperating agency in the preparation of this EIS based on your agency's jurisdiction by law.

In the event ADNR accepts our invitation, I have attached a draft Memorandum of Understanding (MOU) that outlines the roles and responsibilities of the lead and cooperating agencies. If the MOU is acceptable as written, please sign, date and return the document to Dave Navecky of my staff. Once received, I will execute the document and return a copy for your files.

If you have any questions, including any proposed revisions to the MOU, please feel free to contact Dave Navecky at 202-245-0294 (e-mail address: naveckyd@stb.dot.gov). I would appreciate your response by March 21, 2008. We look forward to working with you in the near future.

Sincerely,

A handwritten signature in black ink, appearing to read "Victoria Rutson". The signature is fluid and cursive, with a large initial "V" and a stylized "R".

Victoria Rutson
Chief
Section of Environmental Analysis

MEMORANDUM OF UNDERSTANDING
BETWEEN
SURFACE TRANSPORTATION BOARD
AND
ALASKA DEPARTMENT OF NATURAL RESOURCES
CONCERNING GRANTING COOPERATIVE AGENCY STATUS
AND THE PREPARATION OF THE
PORT MACKENZIE RAIL EXTENSION
ENVIRONMENTAL IMPACT STATEMENT

1. BACKGROUND. The Alaska Railroad Corporation (ARRC) plans to file a petition with the Surface Transportation Board (Board) pursuant to 49 U.S.C. 10502 for authority to construct and operate approximately 30 to 45 miles of new rail line connecting the Matanuska-Susitna Borough's Port MacKenzie (or Port) in south-central Alaska to a point on the ARRC main line between Wasilla and north of Willow, Alaska. The proposed Port MacKenzie Rail Extension would provide freight service between the Port and Interior Alaska and would support the Port's continuing development as an intermodal and bulk material resources export and import facility. The Port is owned by the Matanuska-Susitna Borough (MSB) and MSB is a co-sponsor of the proposed rail extension. In anticipation of ARRC's filing, the STB issued a Notice of Intent to prepare an Environmental Impact Statement (EIS) in the *Federal Register* on February 12, 2008.

2. PURPOSE. The purpose of this Memorandum of Understanding is to identify the Alaska Department of Natural Resources (ADNR), as a cooperating agency on the EIS, pursuant to 40 CFR 1501.6, "Cooperating Agencies." By signing this Memorandum of Understanding, ADNR shall be granted cooperating agency status.

3. LEAD AGENCY. The STB shall be the lead agency, pursuant to 40 CFR 1501.5(c), "Lead Agency," and shall supervise the preparation of the EIS. The environmental review process shall be consistent with the National Environmental Policy Act, 42 U.S.C. 4321 *et seq.* (NEPA), the NEPA implementing regulations of the Council on Environmental Quality at 40 CFR Parts 1500-1508, and the environmental rules of the STB at 49 CFR Part 1105. As provided for in 40 CFR 1501.6(a) (2), the STB shall "use environmental analysis and proposals of cooperating agencies with jurisdiction by law or special expertise, to the maximum extent possible consistent with its responsibility as lead agency."

4. AGENCY DECISIONS

4.1 Surface Transportation Board. The STB shall decide whether or not to grant authority, pursuant to 49 U.S.C. 10901 and 10502, to ARRC to construct and operate the Port MacKenzie Rail Extension.

4.2 Alaska Department of Natural Resources. The proposed project could affect land owned or managed by ADNR, and resources under the jurisdiction of ADNR. The following actions would be subject to ADNR review, approval or permitting:

- Right-of-way acquisition of state-owned lands (AS 42.40.360 and .370),
- Rail construction and operation activities affecting anadromous streams (AS 41.14.870) and fish passage (AS 41.14.840),
- Rail use of state-owned lands subject to existing authorizations (11 AAC 51.05),
- Right-of-way conveyances affecting section lines (AS 19.10.010), RS 2477 routes (AS 19.30.400), and navigable and public waterways (AS 38.05.127),
- Sale of material resources (sand, gravel, rock, peat) from state-owned lands (AS 38.05.110-38.05-120),
- Temporary use of state-owned lands for man camps, staging areas, etc. (AS 38.05.850), and
- Activities within the Coastal Zone Management Area (16 U.S.C. 1456 and 11 AAC 110).

5. RESPONSIBILITIES. As the lead agency, the STB shall supervise the preparation of the EIS, which shall be prepared with the assistance of a third-party contractor pursuant to 49 CFR Part 1105, under the direction, supervision and control of the STB. While the contractor shall be paid for by proponent ARRC, the proponent shall have no supervision over the contractor regarding preparation of the EIS. The contractor selected to assist in the preparation of the EIS is ICF International, Fairfax, Virginia.

The EIS shall disclose and analyze the potential environmental impacts related to land use, biological resources, water resources including wetlands and other waters of the US, navigation, geology and soils, air quality, noise and vibration, socioeconomics, safety, transportation systems, cultural and historic resources, recreation, aesthetics, environmental justice and cumulative impacts. Attachment A – Draft Scope of Study – specifies in greater detail the analyses to be addressed.

The STB agrees to coordinate and communicate with ADNR during preparation of the EIS. Any analysis that takes place for issues subject to the jurisdiction of ADNR shall be guided by the respective regulations, laws and policies of ADNR, so that the EIS, when completed, shall provide the information needed for any decision-making purposes by ADNR.

ADNR shall provide information to the STB, as needed. Each agency may develop Interdisciplinary Teams or designate specialists to review the analysis and provide direction or comment where necessary to meet applicable laws, regulations and policies without undue delay. At a minimum, ADNR shall be provided the opportunity to review the following documents during this NEPA review process:

- Draft Scope of Study for the EIS,
- Final Scope of Study for the EIS,

- Annotated Outline for the EIS,
- Analytical Methodologies to be used,
- Preliminary Draft EIS, and
- Preliminary Final EIS.

If the analyses indicate that mitigation would be appropriate, ADNR shall assist in the development of mitigation measures applicable to ADNR. ADNR shall also assist in the formulation of responses to public comments on the Draft EIS that pertain to ADNR, ADNR permitting authority, and other related issues, as appropriate.

Each agency shall work toward completing appropriate NEPA compliance and reviews in a timely manner. However, in order to ensure meaningful review and input, a minimum of 30 days each for ADNR review of the Draft and Final Scope of Study for the EIS, Preliminary Draft EIS, and the Preliminary Final EIS should be incorporated into the schedule.

6. PROJECT CONTACTS

Surface Transportation Board

David Navecky
Surface Transportation Board
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Phone: 202-245-0294
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Alaska Department of Natural Resources

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7. NON-FUND OBLIGATING DOCUMENT. This document is neither a fiscal nor a funds obligation document. Any endeavor involving reimbursement, contribution of funds, or transfer of value between the parties of this instrument will be handled in accordance with applicable laws, regulations and procedures including those for government procurement and printing. Such endeavors shall be outlined in separate agreements that shall be made in writing by representatives of the parties and shall be independently authorized by appropriate statutory authority. This instrument does not provide such authority. Specifically, this instrument does not establish authority for

noncompetitive award to the cooperator of any contract or other agreement. Any contract or agreement for training or other services must fully comply with all applicable requirements for competition.

8. EXPIRATION. The Memorandum of Understanding shall be in effect for a period of two years from the executed date, and shall terminate at the end of that time unless otherwise modified, formally cancelled, or renewed by the parties.

9. MODIFICATION AND AMENDMENT. This Memorandum of Understanding may be modified or amended in writing by mutual agreement of the parties.

10. TERMINATION. Either party to this agreement may terminate the instrument in whole or part in writing, at any time before the date of expiration, with 30 days written notice.

11. PARTICIPATION IN SIMILAR ACTIVITIES. This instrument in no way restricts the cooperating agency from participating in similar activities with other public or private agencies, organizations, or individuals.

12. EFFECTIVE DATE. This Memorandum of Understanding shall be effective as of the last signature date.

SURFACE TRANSPORTATION BOARD

Signature: _____ Date: _____
Victoria Rutson, Chief
Section of Environmental Analysis

ALASKA DEPARTMENT OF NATURAL RESOURCES

Signature: _____ Date: _____
Printed Name: _____
Title: _____

**ATTACHMENT A
DRAFT SCOPE OF STUDY
PORT MACKENZIE RAIL EXTENSION PROJECT
ENVIRONMENTAL IMPACT STATEMENT**

DRAFT SCOPE OF STUDY FOR THE EIS

Purpose and Need

The purpose of the proposed Port MacKenzie Rail Extension (Project) is to establish a rail link between the Port MacKenzie (Port) and the Alaska Railroad Corporation's (ARRC) rail system, providing Port customers and shippers with rail transportation between the Port and Interior Alaska. The Port is a deepwater facility on the north side of Knik Arm in upper Cook Inlet, located in south-central Alaska. Presently, the only surface mode of freight transport available to the Port is trucking. The construction of a rail line would satisfy the need for an additional mode of transportation for the movement of bulk materials, intermodal containers and other freight to and from the Port.

Proposed Action and Alternatives

The proposed rail line would extend approximately 30 to 45 miles, depending on the route selected, from the Port to ARRC's existing main line between Wasilla and north of Willow. Other major elements of the proposed Project would include a 200-foot-wide right-of-way; crossings of local roads, streams, trails, and utility corridors; sidings; and ancillary facilities. The anticipated train traffic would be two trains daily on average, with one train per day traveling in each direction. The Environmental Impact Statement (EIS) will analyze the potential impacts of alternative routes and a no-action alternative.

The reasonable and feasible alternatives that will be evaluated in the EIS are (1) construction and operation of the proposed rail line along several alternative alignments, (2) other route alternatives that might be identified during the scoping process, and (3) the no-action alternative.

Environmental Impact Analysis

Proposed New Construction

Analysis in the EIS will address the proposed activities associated with the construction and operation of new rail facilities and their potential environmental impacts, as appropriate.

Impact Categories

The EIS will analyze potential direct and indirect impacts for each alternative of the proposed construction and operation of new rail facilities on the human and natural environment, or in the case of the no-action, of the lack of these activities. Impact areas addressed will include the categories of land use, recreation, biological resources, water resources including wetlands and other waters of the U.S., navigation, geology and soils, air quality, noise, energy resources, socioeconomics as they relate to physical changes in the environment, safety, grade crossing delay, cultural and historic resources, and environmental justice. Other categories of impacts may also be included as a result of comments received during the scoping process or the draft EIS. The EIS will include a

discussion of each of these categories as they currently exist in the Project area and will address the potential direct and indirect impacts of each alternative on each category as described below:

1. Safety

The EIS will:

- a. Describe existing road/rail grade crossing safety and analyze the potential for an increase in accidents related to the new rail operations, as appropriate.
- b. Describe existing rail operations and analyze the potential for increased probability of train accidents, as appropriate.
- c. Evaluate the potential for disruption and delays to the movement of emergency vehicles.
- d. Propose mitigative measures to minimize or eliminate potential Project impacts to safety, as appropriate.

2. Land Use

The EIS will:

- e. Evaluate potential impacts of each alternative on existing land use patterns within the Project area and identify those land uses that would be potentially impacted by new rail line construction.
- f. Analyze the potential impacts associated with each alternative to land uses identified within the Project area. Such potential impacts may include incompatibility with existing land use and conversion of land to railroad use.
- g. Determine if the proposed rail line is consistent with Alaska's coastal management program.
- h. Propose mitigative measures to minimize or eliminate potential impacts to land use, as appropriate.

3. Recreation

The EIS will:

- a. Evaluate existing conditions and the potential impacts of the alternatives, including the various new rail line construction alignments and their operation, on recreational trails and other opportunities provided in the Project area.
- b. Propose mitigative measures to minimize or eliminate potential Project impacts on recreational opportunities, as appropriate.

4. Biological Resources

The EIS will:

- a. Evaluate the existing biological resources within the Project area, including vegetative communities, wildlife, anadromous and other

fisheries, wetlands, and Federal and state threatened or endangered species and the potential impacts to these resources resulting from each alternative.

- b. Describe any wildlife sanctuaries, refuges, national or state parks, forests, or grasslands and evaluate the potential impacts to these resources resulting from each alternative.
- c. Propose mitigative measures to avoid, minimize, or compensate for potential impacts to biological resources, as appropriate.

5. Water Resources

The EIS will:

- a. Describe the existing surface water and groundwater resources within the Project area, including lakes, rivers, streams, stock ponds, wetlands, and floodplains and analyze the potential impacts on these resources resulting from each alternative.
- b. Describe the permitting requirements for the various alternatives with regard to wetlands, stream and river crossings, water quality, floodplains, and erosion control.
- c. Propose mitigative measures to avoid, minimize or compensate for potential Project impacts to water resources, as appropriate.

6. Navigation

The EIS will:

- a. Identify existing navigable waterways within the Project area and analyze the potential impacts on navigability resulting from each alternative.
- b. Describe the permitting requirements for the various alternatives with regards to navigation.
- c. Propose mitigative measures to minimize or eliminate potential impacts to navigation, as appropriate.

7. Geology and Soils

The EIS will:

- a. Describe the geology, soils and seismic conditions found within the Project area, including unique or problematic geologic formations or soils, prime farmland, and hydric soils, and analyze the potential impacts on these resources resulting from the various alternatives for construction and operation of a new rail line.
- b. Evaluate potential measures employed to avoid or construct through unique or problematic geologic formations or soils.
- c. Propose mitigative measures to minimize or eliminate potential Project impacts to geology and soils, as appropriate.

8. Air Quality

The EIS will:

- a. Evaluate rail operation air emissions, if the alternative would affect a Class I or non-attainment or maintenance area as designated under the Clean Air Act.
- b. Describe the potential air quality impact resulting from new rail line construction activities.
- c. Propose mitigative measures to minimize or eliminate potential Project impacts to air quality, as appropriate.

9. Noise

The EIS will:

- a. Describe the potential noise impacts during new rail line construction.
- b. Describe the potential noise impacts of new rail line operation.
- c. Propose mitigative measures to minimize or eliminate potential Project impacts to sensitive noise receptors, as appropriate.

10. Energy Resources

The EIS will:

- a. Describe and evaluate the potential impact of the new rail line on the distribution of energy resources in the Project area for each alternative, including petroleum and gas pipelines and overhead electric transmission lines.
- b. Propose mitigative measures to minimize or eliminate potential Project impacts to energy resources, as appropriate.

11. Socioeconomics

The EIS will:

- a. Analyze the effects of a potential influx of construction workers and the potential increase in demand for local services interrelated with natural or physical environmental effects.
- b. Propose mitigative measures to minimize or eliminate potential Project adverse impacts to social and economic resources, as appropriate.

12. Transportation Systems

The EIS will:

- a. Evaluate the potential impacts of each alternative, including new rail line construction and operation, on the existing transportation network in the Project area, including vehicular delays at grade crossings.
- b. Propose mitigative measures to minimize or eliminate potential Project impacts to transportation systems, as appropriate.

13. Cultural and Historic Resources

The EIS will:

- a. Analyze the potential impacts to historic structures or districts previously recorded and determined potentially eligible, eligible, or listed on the National Register of Historic Places within or immediately adjacent to the right-of-way for the proposed rail alignments.
- b. Evaluate the potential impacts of each alternative to archaeological sites previously recorded and either listed as unevaluated or determined potentially eligible, eligible, or listed on the National Register of Historic Places within the right-of-way for the alternative rail alignments and the no-action alternative.
- c. Propose mitigative measures to minimize or eliminate potential Project impacts to cultural and historic resources, as appropriate.

14. Environmental Justice

The EIS will:

- a. Evaluate the potential impacts of each alternative, including construction and operation of the rail lines, on local and regional minority populations and low-income populations.
- b. Propose mitigative measures to minimize or eliminate potential Project impacts on environmental justice issues, as appropriate.

15. Cumulative Impacts

The EIS will address the impact on the environment which results from the incremental impact of the action when added to other past, present, and reasonably foreseeable future actions regardless of what agency (Federal or non-federal) or person undertakes such actions.