

E1-26290

October 17, 2017

Victoria Rutson, Esq.
Director, Office of Environmental Analysis
Surface Transportation Board
395 E Street, SW
Washington, DC 20423-0001

**Re: Docket No. FD 36095, Palmetto Railways – Petition for Exemption – In
Berkeley County, South Carolina; Information Request #1**

Dear Ms. Rutson,

Please let this letter serve as Palmetto Railways' response to your letter dated September 28, 2017, requesting information to assist the Surface Transportation Board's Office of Environmental Analysis in the environmental review in the above-referenced proceeding. Your questions are set forth below followed by Palmetto Railways' responses.

1. Please provide further explanation of the term "logistically feasible" as it is used and applied in the Environmental Report provided by Palmetto Railways, including explanation of why the use of multiple Class I freight carriers to access the Port of Charleston would be "logistically impractical and functionally infeasible." (p.19)

RESPONSE:

The term "logistically feasible" is derived primarily from the United States Army Corps of Engineers practicable alternative framework set forth in the regulatory guidelines, 40 C.F.R. § 230.10(a). In particular, 40 C.F.R. § 230.10(a)(2) provides that a practicable alternative for a project is one that is "available and capable of being done after taking into consideration cost, existing technology, and logistics in light of overall project purposes." Thus, the use of the term "logistically feasible" in the Environmental Report is intended to project the parameters developed by Palmetto Railways which make a given alternative logistically feasible and thus qualify as an alternative that is available and capable of being considered as viable under the guidelines. The parameters established by Palmetto Railways were intended to produce a project that provides the Camp Hall Commerce Park with direct connectivity to the domestic rail network of a Class 1 rail line and, secondarily, the Port of Charleston, due to the transportation, distribution, and logistical benefits derived by current and future tenants of the Camp Hall Commerce Park by such access. *See* Environmental Report at 13 n.8 ("Inefficiency in any one aspect of the logistics supply chain ripples throughout the entire manufacturing process, which adds delays and increased cost."). These increases impact customer bottom lines and reduce the attractiveness of a mode of transportation. This is based in part on the economies of scale for the only existing tenant (Volvo Cars North America) and speculative future business because there simply

is not enough volume to justify the expenditure by Palmetto Railways to connect to multiple Class 1 freight carriers. Consequently, Palmetto Railways decided that one of the primary characteristics and criteria of proposed project would be direct connectivity to a single Class 1 freight carrier main line, rather than an alternative that required switching or connection to multiple carriers or secondary freight lines, as required by the Eutawville/Holly Hill Route. Potential logistical impediments to reliable, on-time service to the end-users of the proposed project (for example, Volvo Cars North America) were eliminated or minimized, where possible, and Palmetto Railways deemed a route that traversed multiple carrier or secondary freight lines as being logistically impracticable and functionally infeasible to fulfill the established parameters and purpose and need of the project.

2. Please provide documentation that Palmetto Railways would not be able to have operational control of a new rail line that would connect the Camp Hall Commerce Park to the Norfolk Southern freight line running through Dorchester County.

RESPONSE:

In the course of the conceptual analysis described in the Environmental Report that compared the route proposals and conditions of the two Class 1 freight carriers, Palmetto Railways gathered information from CSXT and Norfolk Southern about each carrier's desired operating requirements and design alternatives, among things. Norfolk Southern informed Palmetto Railways that, while it desired to have Palmetto Railways serve as the applicant, financier, and construction manager for the proposed project, once the rail line was established, Norfolk Southern required full or substantial operational control be turned over to it, rather than the line be owned and operated by Palmetto Railways. Palmetto Railways perceived this requirement to be a condition of the line's connection to the Norfolk Southern mainline.

It is worth noting that the proposed project is a Palmetto Railways project to be owned, operated, and controlled by Palmetto Railways with a connection to CSXT's mainline. Norfolk Southern's requirements simply were incompatible with meeting the purpose and need of the State of South Carolina owning and operating a line that provides rail access to meet the demand at the Camp Hall Commerce Park.

3. Please provide further explanation of the statement in the Environmental Report (p. 18) which, implies that connection to the Norfolk Southern mainline would require expansion of the capacity of that line. Please include clarification of the "logistic and feasibility risks."

RESPONSE:

Palmetto Railways appreciates the opportunity to clarify its intent regarding the referenced statement from the Environmental Report. In stating that "[i]n addition, adding additional *capacity* to Norfolk Southern's mainline increases logistic and feasibility risks to providing adequate freight rail service to, from and between the Camp Hall Commerce Park and the Port of Charleston," Palmetto Railways intended to state that adding additional *volume* to Norfolk Southern's mainline would logically increase logistical and feasibility risks.

Palmetto Railways did not intend to suggest that the addition of rail transport volume from business generated by the Camp Hall Commerce Park tenants would require the expansion of the capacity of Norfolk Southern's mainline. The purpose of Palmetto Railways' reference was a recognition of the fact that the incremental impact of adding additional rail volume generated by the tenants of the Camp Hall Commerce Park to Norfolk Southern's existing mainline would logically increase the risk of disruptions to the provision of adequate and timely rail transport of goods to and from the commerce park. The basis for Palmetto Railways' risk assessment is due to the fact that the Norfolk Southern mainline, to which the proposed project would connect if the Ridgeville Route were a viable alternative for this project, serves as the primary northwest to southeast freight rail line of the company in South Carolina. As the direct connection between the Inland Port facility in Greer, South Carolina and the Port of Charleston, as well as providing primary access to Norfolk Southern's inland/domestic network in the state, the line is already host to a significant amount of daily volume.

4. Based on the route information provided in GIS format along with the Environmental Report, it appears that portions of some routes would be located within power line rights-of-way. Has Palmetto Railways discussed the feasibility of sharing these ROWs with the owners/operators, and if so, what were the results of those discussions?

RESPONSE:

Palmetto Railways has had and continues to have discussions with the utility right-of-way owner (Santee Cooper, a sister State agency and instrumentality of South Carolina) and believes that the needs of Palmetto Railways and Santee Cooper will both be adequately met.

5. It appears from the Environmental Report that different criteria were used for comparing potential alternative routes at the Tier 1, 2 and 3 levels. Please clarify the criteria that were used at each level and the associated rationale for use of those criteria.

RESPONSE:

The observation in the above question that different criteria were used for comparing potential alternative routes at the Levels¹ 1, 2 and 3 is technically correct; however, clarification is required. In short, Palmetto Railways employed an ascending level of detailed analysis to the range of alternatives such that the criteria employed at each successive level of analysis acted as a screening tool designed to winnow the field of alternatives and arrive at an alternative that both satisfied the purpose and need of the project, as defined by the characteristics and criteria established by Palmetto Railways, and limited the impacts on traditionally recognized environmental, economic, and socioeconomic resources, as well as cultural resources. The preferred alternative was

¹ OEA's question refers to route alternatives analyzed in "Tier 1, 2 and 3" of the Environmental Report, while the Environmental Report refers to the successive analyses in terms of "Level 1, 2 and 3." While not material difference, Palmetto Railways will continue to refer to the analysis in terms of levels in order to remain consistent with its prior submittal.

determined to have satisfied and/or best met the criteria at each successive level of the analysis, and thus became the preferred route for the project, while alternatives that did not meet the criteria at any of the successive levels were eliminated from further consideration and were not evaluated by the subsequent criteria employed at later levels of the analysis.

As described in the report, the goal of alternatives analysis for the project was to identify and consider the broadest range of possible alternatives, working to narrow the scope of alternatives to the range of reasonable and practicable alternatives that could meet the overall purpose of the proposed project. *See* Environmental Report at 10. As a starting point, all alternatives for the proposed project, including a no-action/no-build alternative, were available to Palmetto Railways for consideration. *Id.* at 10-11. Notwithstanding, Palmetto Railways was tasked with developing the primary characteristics and criteria that were deemed to be mandatory requirements for the project in order to satisfy the identified purpose and need. For this project, Palmetto Railways determined that the minimum mandatory requirements of the project were:

- Direct connectivity to a single Class 1 freight carrier main line, accessing the freight carrier's inland/domestic network, as well as the Port of Charleston;
- Sufficient rail access and capacity to serve both phases of the Volvo Cars site; and
- Sufficient rail access and capacity to service future growth and needs of additional industrial sites within the remaining portions of Camp Hall such that the portion of the proposed rail spur located within Camp Hall does not limit access to the site while in use or require grade separation.

Id. at 12-13. The purpose of the Level 1 within the alternatives analysis was to apply the above characteristics and criteria, as indicative of the purpose and need of the project, to the full panoply of alternatives, screening out and rejecting all those alternatives that did not meet the minimum mandatory requirements of the project. Those alternatives that did not meet the primary characteristics and criteria of the project were not carried forward for further analysis on the basis that an alternative that did not meet the minimum mandatory requirements of the project is not a reasonable alternative, with the exception of the no-action/no-build alternative, which was carried forward for comparison to the remaining alternatives at successive stages of the analysis in order to provide a baseline.

In addition, because Palmetto Railways determined that connectivity to a single Class 1 freight carrier was a primary characteristic and criterion that would fulfill the purpose and need of the project, Level 1 of the alternatives analysis also involved a conceptual analysis of the route alternatives proffered by CSXT and Norfolk Southern at a macro level in order to determine which Class 1 freight carrier presented an alternative that was capable of satisfying other basic project requirements. This conceptual analysis involved the generalized review of, among other things:

- The access points to Camp Hall and the Volvo Cars site;

- Design alternatives for the on-site freight railyard required to support and connect to Volvo Cars and other associated automotive industrial support facilities;
- Estimation of engineering and construction costs;
- Evaluation potential environmental impacts and the availability and cost of mitigation for same; and

Evaluation of potential property impacts along the proposed routes between Camp Hall and the existing rail infrastructure.

Id. at 16-19. The result of the Level 1 analysis was that CSXT alternative routes were deemed to best satisfy the characteristics, criteria, purpose and need of the proposed project and were carried forward to Level 2 of the analysis.

The purpose of Level 2 of the analysis was to take those alternatives that survived Level 1 screening and apply a finer-level screening filter to those route alternatives in order to determine each alternative's impact on environmental, economic, and socioeconomic resources, as well as cultural resources. Specifically, the remaining alternatives were evaluated in sixteen (16) explicit areas in order to compare their respective impacts, including:

- Land use;
- Air quality;
- Noise;
- Geology and soils;
- Surface waters;
- Floodplains;
- Water quality and water resources;
- Wetlands;
- Endangered, threatened, and other listed species;
- Historic and archaeological resources;
- Environmental justice;
- Potential relocations;
- Traffic and transportation;
- Recreation and land stewardship;
- Section 6(f) resources; and
- Hazardous materials

Id. at 21-46. Palmetto Railways' in-depth analysis of each of the remaining alternatives with respect to the above factors showed that the impacts of the route alternatives were comparable; however, Palmetto Railways determined that certain critical issues were identified with three (3) of the routes which eliminated them from further consideration.

Id. at 45-46. As a result of the Level 2 analysis, Palmetto Railways identified the Cross route as the preferred project corridor based on its provision of the most practical route

with the least amount of overall impacts, while still meeting the characteristics and criteria of the proposed project.

Level 3 analysis looked at the Cross route alternative on the micro level. This process involved the development of four alternative route layouts within the general Cross route alternative boundary. Environmental Report at 46-49; Appendix A, Figures 6a-6d. Once the alternative route layouts were established, Palmetto Railways evaluated the four alternatives' impacts on the environmental, economic, and socioeconomic resources, as well as cultural resources discussed in Level 2. Palmetto Railways also further narrowed those criteria to consider each route alternative's respective impact on:

- the percentage of National Wetland Inventory;
- the estimated number of parcels within the right-of-way affected;
- the potential number of relocations required;
- known archaeological sites; and
- the Caton Creek Mitigation Bank

Id. at 48-49.

In the end, Cross Option 3 was identified as the preferred project route, based on its ability to best satisfy all of the characteristics and criteria employed by Palmetto Railways at each successive stage of the alternatives analysis.

Sincerely,



Jeffrey M. McWhorter
President and CEO