



MATANUSKA-SUSITNA BOROUGH

Borough Manager

350 East Dahlia Avenue • Palmer, AK 99645

Phone (907) 745-9688 • Fax (907) 745-9669

jduffy@matsugov.us

July 15, 2010

David Navecky
STB Finance Docket No. 35095
Surface Transportation Board
Section of Environmental Analysis
395 E Street, SW
Washington, DC 20423

RE: Port MacKenzie Rail Extension Project DEIS Comments

Dear Mr. Navecky:

I am writing on behalf of the Matanuska-Susitna Borough to respond to certain comments submitted in connection with the Draft Environmental Impact Statement (DEIS) prepared in connection with the Port MacKenzie Rail Extension Project. As you know, the Borough owns and operates Port MacKenzie, and has long been a proponent of bringing rail service to the Port. Indeed, the Borough's request that the Alaska Railroad bring service to Port MacKenzie was the catalyst for the current proceeding before the Surface Transportation Board. It should thus come as no surprise that after reading some of the allegations about Port MacKenzie—not just the rail extension project, but the port itself—in several DEIS comment letters, the Borough decided that it was important to set the record straight. Borough Manager John Duffy has attached a Verified Statement to this letter testifying to the accuracy of the facts discussed below.

To begin with, Port MacKenzie is already a fully operating port. Its facilities include a 500-foot bulkhead barge dock and a 1,200-foot deep draft dock equipped with a conveyor system that can load dry bulk materials at a rate of 2,000 tons per hour. Verified Statement of John Duffy (Duffy V.S.) ¶ 3. The dock has a gravel surface with a load capacity of 1,000 pounds per square foot. Nearly 9,000 acres of adjacent uplands are available for commercial lease and development. Duffy V.S. ¶ 4-5. In addition, the Borough recently has been sea-testing a ferry vessel that is scheduled to begin service between Port MacKenzie and Anchorage in the fall of 2011. Duffy V.S. ¶ 6. All of this investment is evidence that the Borough and the State of Alaska are committed to Port MacKenzie as an important part of the state's long-term economic development. Yet, in spite of these investments, ongoing operations and potential for substantial growth, Port MacKenzie remains the only significant port on the west coast without rail service—the only mode of transportation that can efficiently transport large quantities of freight and bulk materials. Duffy V.S. ¶ 7. In a nutshell, that is why the Borough and the State (which recently appropriated over \$30 million for the extension project) have been planning and working for years to bring the Alaska Railroad to the port. Duffy V.S. ¶ 8-9.

The most sustained criticism of Port MacKenzie appears in a comment letter prepared by the Port of Anchorage, which apparently views itself as competing with Port MacKenzie for both shipping traffic and government funding. The Borough does not share this view, believing instead that the two ports can complement each other in a way that makes both more successful. Nevertheless, the vigor with which the Port of Anchorage attacks Port MacKenzie requires a careful, point-by-point response that will ensure SEA and the Board have all the available facts as they move forward with their review process.

1. The Port of Anchorage letter vaguely suggests that conversations with “potential shippers of bulk materials” would reveal doubts about “the overall feasibility and utility of a rail extension into Port MacKenzie.” No particular shippers are named in the letter. The Borough has in fact been conversing with a number of companies regarding potential use of Port MacKenzie when a rail extension is in place. These companies include Exxon, ConocoPhillips, CH2M Hill, BP Alaska, NANA, Inc. and Usibelli Coal Mine, Inc., as well as the current users of Port MacKenzie. Duffy V.S. ¶ 10. In fact, Usibelli recently hauled coal to Port MacKenzie by truck, and successfully loaded that coal onto a super-max size vessel as a way of testing the port’s conveyor system and deep water dock. Duffy V.S. ¶ 11. Coal, like the other bulk materials under discussion—aggregate minerals, gravel, lime and timber—can be shipped far more efficiently using rail cars. Duffy V.S. ¶ 10. It is also important to note that Port MacKenzie saves its customers substantial amounts of money by offering wharfage and dockage fees that are a small fraction of those charged by the Port of Anchorage. Duffy V.S. ¶ 12. So while the Borough cannot speculate about how Port MacKenzie will develop when the planned rail extension is built, it is confident that numerous “potential shippers of bulk materials” would vouch for the tremendous potential of a rail-connected Port MacKenzie to foster economic development throughout the region.

2. The Port of Anchorage letter next asserts that it is “false” to claim that the Port of Anchorage “has no capacity for dry bulk materials export.” The Borough agrees, and freely acknowledges that the Port of Anchorage has some capacity for bulk dry goods import and export. But that capacity is ultimately limited by the location of the surrounding neighborhoods, as well as the port’s water depth and rail configurations, which are less than ideal for bulk materials movements. By contrast, Port MacKenzie is situated on nearly 9,000 acres of land and has existing dockside bulk materials loading capacity. Duffy V.S. ¶ 3-5. The Borough accordingly views the movement of dry bulk materials as one way that Port MacKenzie complements, rather than competes with, the Port of Anchorage.

3. The Borough likewise does not deny that the Port of Anchorage is in the process of expanding its rail capability. But physical constraints make it impossible to create a rail loop capable of efficiently unloading the sort of 100 car train commonly used for hauling dry bulk materials like coal, limestone, lead and zinc. The existence of a rail connection to bulk material-friendly Port MacKenzie accordingly is not a competitive threat to the Port of Anchorage. Rather, the Port MacKenzie Rail Extension will facilitate the opening of new bulk material markets that will have long-term benefits for both ports.

4. Based on its “informal observations,” the Port of Anchorage claims that it has “counted only 8 ships in the last 7 years” at Port MacKenzie, plus some “wood chip bulk carriers,” two “cement ships” and some barges. In fact, from 2005 through 2009, Port MacKenzie safely loaded and/or unloaded nine Panamax size vessels (the world’s largest) and 190 barges—a total of 199 vessels. Duffy V.S. ¶ 13. By contrast, no amount of dredging at the Port of Anchorage can accommodate Panamax vessels—a size of vessel that allows for efficient shipments of bulk materials to new and growing markets in Asia.

5. The Port of Anchorage's letter also disingenuously reads into the DEIS an admission that vessels docked at Port MacKenzie will inevitably break their moorings "in strong currents and ice." In fact, no vessel has ever broken free of its moorings at Port MacKenzie. Duffy V.S. ¶ 14. Indeed, not a single mooring line has ever broken at the port, and the operators of Port MacKenzie take special precautions to prevent line breakage. Duffy V.S. ¶ 14. By contrast, there is some history of vessels breaking free at the Port of Anchorage. The language in the DEIS is thus in no way a concession that conditions at Port MacKenzie are more difficult than those at the Port of Anchorage, or that vessels docked at Port MacKenzie are likely to break free. (In this regard, it is also important to point out that the average current at the face of Port MacKenzie's deep draft dock is less than 4 knots, not "6 knots or more" as alleged in the Port of Anchorage letter. Duffy V.S. ¶ 15.)

6. The Port of Anchorage's letter uses misinterpreted statements made by the Director of Port MacKenzie to argue that "Port MacKenzie may not be well-suited for safe winter operation." That is simply not the case. Three Panamax size vessels have been safely loaded at Port MacKenzie during the winter. Duffy V.S. ¶ 13. As with any other port in Alaska, conditions in the winter can be challenging. Indeed, the U.S. Coast Guard has on occasion closed the entire Upper Cook Inlet to vessel traffic. But Port MacKenzie is not any more vulnerable to those conditions than any other port, including the Port of Anchorage.

7. According to the Port of Anchorage's letter, it is currently engaged in "marine mammal noise mitigation efforts" in connection with its Intermodal Expansion Project. These efforts, the Port of Anchorage warns, "may" be "negatively impact[ed]" by the Port MacKenzie Rail Extension project, which it claims would take place "approximately 1 to 2 miles away." This comment is completely off-base. As an initial matter, the Port MacKenzie Rail Extension project is located entirely in upland areas, whereas the Port of Anchorage's expansion project involves placing fill into over 100 acres of tidelands. And while it may be true that the endpoint of the proposed Port MacKenzie Rail Extension is approximately two miles away from the Port of Anchorage, the vast bulk of the rail extension is much farther inland. Duffy V.S. ¶ 16. Furthermore, the Biological Assessment prepared in connection with the rail extension DEIS makes clear that the project will have no likely adverse effect on threatened or endangered species—a conclusion that was endorsed by the National Marine Fisheries Service. The Port of Anchorage expansion, on the other hand, is subject to strict mitigation requirements because the same sort of Biological Assessment determined that their project does pose likely risks to threatened or endangered species. For all of these reasons, applying the same marine mammal mitigation requirements to a port expansion project and an upland rail project is nonsensical.

8. Finally, the Port of Anchorage's letter argues that the construction of Port MacKenzie "may be the cause" of the "growth" of the Point MacKenzie Shoal. This possibility, the Port of Anchorage says, should preclude any additional development at Port MacKenzie pending some unspecified amount of "study." But these ominous-sounding warnings lack substance. First and foremost, the project here at issue is a rail extension; it will have no impact whatsoever on the physical dimensions of Port MacKenzie itself. Duffy V.S. ¶ 17. In any event, the Point MacKenzie Shoal has been in existence for centuries. Deep draft vessels are adept at maneuvering over or around the shoal using the high tide. Changes in the shoal have been regularly observed since the first bathometric surveys in 1941, and are under constant observation. Based on all of this information, the U.S. Army Corps of Engineers has recently reiterated that Port MacKenzie is not the cause of any new or changed shoaling, and that such accusations should not impact the permitting of expansion at the port. Duffy V.S. ¶ 18.

The U.S. Environmental Protection Agency (EPA) also directs several of its questions to the functioning of Port MacKenzie, as opposed to the rail extension project. The Borough would like to take this opportunity to answer those questions as well.

To begin with, EPA states that it would be "helpful" to have an explanation of "how bulk materials are currently being imported or exported" from the port, and how the rail extension project "will improve this transport for customers." A recent example should provide the explanation requested. About a month ago, a Usibelli coal mine began sending truckloads of coal to Port MacKenzie from over 200 miles away. Duffy V.S. ¶ 11. Because of the number of trucks required to haul a significant amount of coal, the trip cost far more than it would cost to haul the same amount of coal by train. The coal was unloaded at Port MacKenzie's bulk storage facilities and loaded onto a nearly-full cape class vessel using the port's conveyor system. Duffy V.S. ¶ 11. This experiment showed that if the rail extension is built, coal might be successfully exported from Port MacKenzie if a shipper chose to do so. When rail service to Port MacKenzie is in place, one coal train can do the work of 550 trucks, at 25-30% of the cost. It should go without saying that this would be a tremendous improvement for customers, as well as to the public, which would receive the benefits of lower fuel costs.

EPA also asks what impact a rail extension at Port MacKenzie might have on the ports at Seward and Whittier. The Borough believes that adding rail service at Port MacKenzie will not have a significant impact on those ports, which are already operating at or close to capacity.

Finally, EPA expresses "concern" that the description of the rail extension project "does not include a discussion of potential connection(s) to some conveyor or transport system" at the port. EPA suggests that such a "connection" should be studied in the same environmental review as the rail extension project. The Borough disagrees. To start, there is an existing conveyor system at the port, a system that Usibelli recently used to load bulk coal onto a docked vessel. Duffy V.S. ¶ 11. Moreover, as stated in the DEIS, the Borough's plans for expansion of the Port MacKenzie facilities are and always have been independent of the rail extension. Duffy V.S. ¶ 19. Any additional "conveyor or transport system" built at the port will be used to move materials around the bulk storage areas regardless of whether the rail extension is ever completed. Duffy V.S. ¶ 19. Because the Borough's plans for expansion at Port MacKenzie have utility independent of the rail extension, there is no reason to discuss those two sets of plans in the same environmental review.

I hope that this discussion assists SEA and the Board in evaluating the Port MacKenzie Rail Extension. The Borough considers this project to be the most important step toward economic development for the Borough and the State in many years, and is happy to answer any questions that you may have about it.

Sincerely,



John Duffy
Borough Manager

cc: Jay Johnson, Dorsey & Whitney LLP ✓
Nicholas Spiropoulos, MSB Attorney

VERIFIED STATEMENT OF JOHN DUFFY

1. My name is John Duffy and I have served as the Borough Manager for the Matanuska-Susitna Borough in Alaska since November 2000. I started my career with the Borough over 24 years ago as a planner. I later served as Chief of Planning, Director of Planning and Assistant Borough Manager.
2. I am intimately familiar with the development of Port MacKenzie and have personal knowledge of the facts stated below.
3. Port MacKenzie is a fully operating port. Its current facilities include a 500-foot bulkhead barge dock and a 1,200-foot deep draft dock equipped with a conveyor system that can load dry bulk materials at rate of 2,000 tons per hour.
4. The dock at Port MacKenzie has a gravel surface with a load capacity of 1,000 pounds per square foot.
5. Nearly 9,000 acres of uplands adjacent to Port MacKenzie are available for commercial lease and development.
6. The Borough plans to begin a ferry service between Port MacKenzie and Anchorage in the Fall of 2011, and the vessel is now undergoing sea trials for that purpose.
7. Port MacKenzie is the only significant port on the west coast of the United States and Canada that does not have rail service.
8. The Borough has been planning to bring rail service to Port MacKenzie for many years, and has prepared a number of studies to demonstrate the importance and economic viability of that plan.

9. The State of Alaska recently appropriated over \$30 million to help achieve the Borough's goal of building a rail connection to Port MacKenzie.

10. The Borough is in discussions with a number of companies regarding potential use of Port MacKenzie when a rail extension is in place, including Exxon, ConocoPhillips, CH2M Hill, BP Alaska, NANA, Inc. and Usibelli Coal Mine, Inc. These discussions include plans to haul aggregate minerals, fuel, gravel, lime and timber to Port MacKenzie.

11. Usibelli recently hauled a significant amount of coal to Port MacKenzie by truck from over 200 miles away, and loaded that coal onto a super-max size vessel as a way of testing the port's conveyor system and deep water dock. The test was successful.

12. Port MacKenzie offers its customers wharfage and dockage fees that are a small fraction of those charged by the Port of Anchorage.

13. From 2005 through 2009, Port MacKenzie safely loaded and/or unloaded nine panamax size vessels and 190 barges. Three of these panamax size vessels were safely loaded at Port MacKenzie during the winter.

14. No vessel at Port MacKenzie has ever broken free of its moorings, or even broken a single mooring line.

15. The average current at the face of Port MacKenzie's deep draft dock is less than 4 knots.

16. The endpoint of the proposed Port MacKenzie Rail Extension is approximately two miles away from the Port of Anchorage, but the vast bulk of the rail extension is much farther inland.

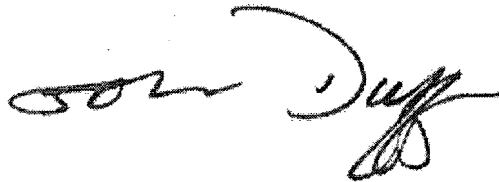
17. The proposed rail extension will have no impact on the physical dimensions of Port MacKenzie itself.

18. The U.S. Army Corps of Engineers has recently stated that Port MacKenzie is not the cause of any new or changed shoaling, and that such accusations should not impact the permitting of expansion at the port.

19. The Borough's plans for expansion of the facilities at Port MacKenzie are and always have been independent of plans to build the rail extension. Port MacKenzie continues to operate as a working port. Thus, any additional "conveyor or transport system" built there will be used to move materials around the bulk storage areas regardless of whether the rail extension is ever completed.

I declare under penalty of perjury that the foregoing is true and correct.

Executed on this 15th day of July, 2010

A handwritten signature in black ink, appearing to read "John Duffy", written over a horizontal line.

John Duffy