



MATANUSKA-SUSITNA BOROUGH

Borough Manager

350 East Dahlia Avenue • Palmer, AK 99645

Phone (907) 745-9851 • Fax (907) 745-9876

www.matsugov.us

Rec'd 1/6/09

December 16, 2008

Victoria J. Rutson

Chief

Section of Environmental Analysis

Surface Transportation Board

395 E Street, SW

Washington, DC 20423

Subject: Port MacKenzie Bulk Materials Facility

Dear Ms. Rutson:

I am writing to provide you with information concerning the Matanuska-Susitna Borough's ("Borough") plans to develop a bi-modal bulk materials facility ("BMF") at Port MacKenzie, Alaska. As discussed below, the BMF is being developed by the Borough to accommodate the need for expansion of Port facilities to handle bulk material cargo to be transported to the Port by truck, independent of the planned rail line extension to Port MacKenzie ("Port MacKenzie Rail Extension Project").¹ The factual statements in this letter concerning the BMF are supported by the Verified Statement of Mark Mayo, Director of the Planning and Use Department for the Borough, which is enclosed.

A. BMF Development at Port MacKenzie

Port MacKenzie presently consists of a 500-foot bulkhead barge dock and a 1,200-foot deep-draft dock, as well as nearly 9,000 undeveloped upland acres available for commercial lease. All of this property is owned and operated by the Borough.

The Borough has recently received inquiries from potential shippers interested in shipping bulk materials in the near future through Port MacKenzie using heavy-haul trucks. Unfortunately, the current physical facilities at the Port are limited and are not able to handle these shipments under the current configuration. The only place to unload, stage and store bulk materials is occupied by a tenant holding a long-term lease. Moreover, moving bulk materials to the Port would require heavy-haul trucks that current roads at the Port likely cannot handle without some improvement or expansion.

¹ As you are aware, the Port MacKenzie Rail Extension Project is currently pending before the Surface Transportation Board, Finance Docket No. 35095. In that proceeding, authority to operate and construct that rail construction project is being sought by the Alaska Railroad Corporation ("ARRC") with support by the Borough.

To accommodate the need for bulk materials service, the Borough has been working to develop a plan to upgrade roads, staging and storage areas at the Port. Moreover, the Borough has entered into a separate project management contract with ARRC to support the development of such facilities. ARRC has extensive experience as a rail carrier in dealing with bulk material unloading, staging and storage.

As the Borough continues to plan for the BMF and future Port development, it will consider the location of ARRC's proposed rail terminal (which is planned as part of the proposed Port MacKenzie Rail Extension Project) in its decision-making.² As a practical matter, the Borough must now be looking at ways to maximize development of the BMF in a manner that will not inhibit or interfere with possible plans for rail service and rail-related facilities or other future development on Port property. But none of the Borough's plans for the BMF are in any way dependent on the construction of the ARRC rail extension or its rail terminal.

B. Port MacKenzie Rail Extension Project

Separate and apart from the BMF plans, the Borough is supporting ARRC's plan to extend rail service to Port MacKenzie. That project is currently before the Board pursuant to ARRC's requests to build and operate the proposed rail extension. The Board's review of this Port MacKenzie Rail Extension Project under the National Environmental Policy Act ("NEPA") is ongoing.

ARRC's purpose for the Port MacKenzie Rail Extension Project is to establish a rail link between the Port and ARRC's main line, thereby providing customers and shippers cost effective rail transportation between the Port and Interior Alaska. ARRC, not the Borough, would construct and operate the rail extension.

In connection with the Port MacKenzie Rail Extension Project, ARRC also plans to build a terminal reserve that would accommodate several straight yard tracks, a smaller yard for the sorting, collection, and distribution of car-load traffic, and support facilities to include administration, crew facilities, fueling, light servicing and repair. These operations and facilities would have no connection to the planned truck service into the Port or the planned BMF facility.

C. Independent Utility of the BMF and Rail Extension Projects

As described above, the proposed BMF and the Rail Line Extension Project are separate projects serving distinct purpose and needs of the Port. They are not "connected actions", nor are the two projects dependent on one another to proceed. Under applicable NEPA regulations, two projects qualify as connected actions in just three situations: (1) when one action automatically triggers another action requiring an environmental impact statement; (2) when one action "cannot or will not proceed unless other actions are taken previously or simultaneously;" or (3) when one action is an "interdependent part[]" of a larger action and depends on that larger action for its justification. 40 C.F.R. § 1508.25(a)(1)(i)-(iii). Viewed another way, two projects are not

² In connection with the BMF, the Borough (through ARRC its project manager) has been exploring with relevant federal, state and local agencies what permits and environmental compliance are needed to allow the project to proceed for service.

Victoria J. Rutson
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Page 3 of 3

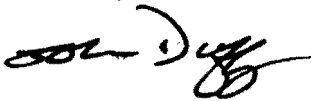
connected actions if each has "**independent utility**"—*i.e.*, "each of the two projects would have taken place with or without the other." *Wetlands Action Network v. United States Army Corps of Engineers*, 222 F.3d 1105, 1118 (9th Cir. 2000).

Applying these principles, the Port MacKenzie Rail Extension Project and the BMF project plainly have independent utility. Each would be constructed even if the other were not. As explained above, the BMF is intended to upgrade the bulk storage and staging facilities at the Port to accommodate pending requests for truck deliveries of bulk materials. Similarly, the Port MacKenzie Rail Extension Project is valuable to the Borough (and ARRC) wholly apart from the BMF upgrades at the Port because it is being developed with the intent of providing another mode of transportation—rail service—to the Port. If for some reason the BMF project did not move forward in the near term with the BMF, the rail extension would still be pursued. And if the rail extension were not constructed, the BMF project would still move forward. Therefore, the BMF project and the Port MacKenzie Rail Extension Project are not connected actions under NEPA.

We hope this information provides useful background on the independent utility of the Port MacKenzie Rail Extension Project and the BMF project at the Port. Please let us know if you have any questions or need additional information.

Thank you for your time and consideration.

Sincerely,

A handwritten signature in black ink, appearing to read "John Duffy", with a stylized flourish at the end.

John Duffy
Borough Manager