



May 10, 2010

David Navecky
STB Finance Docket No. 35095
Surface Transportation Board
395 E Street S.W.
Washington, DC 20423-0001
ATTN:
Section of Environmental Analysis
STB Finance Docket No. 35095

Re: Alaska Railroad Corporation Construction and Operation of a Rail Line Extension to Port MacKenzie, Alaska; Port of Anchorage, Alaska, Comments to Draft Environmental Impact Statement

Dear Mr. Navecky:

On behalf of the Port of Anchorage (POA), I am providing our formal comments on the proposal to construct and operate a rail line extension to Port MacKenzie, Alaska. The Port would like to provide comments specific to three different areas of the Draft EIS:

1. Misrepresentation of POA Capabilities.

- I. Summary, Section S.1 *Purpose and Need*, page S-2, paragraph 2, states the following:

"The nearest other port in the area is the Port of Anchorage, which is an additional 35 highway/rail miles from the Alaska interior. The Applicant notes that the Port of Anchorage currently has no capacity for dry bulk materials export. The required room for bulk rail unloading (unit train rail loop arrangements) does not exist, nor does the Port of Anchorage presently have the capacity to handle the loading of dry bulk materials into ships. Available space for stockpile and handling of bulk materials is also limited."

This is a significant misrepresentation of the POA's capabilities and the cost differences that customers or shippers may experience. Through our conversations with the Alaska Railroad Corporation Vice President of Business Development, we have learned that in fact it is more expensive to ship to and from Port MacKenzie than from the Port of Anchorage, despite the geographical distance savings. Briefly stated, although Port Mackenzie is 35 to 40 miles closer, the Railroad will essentially be adding a dead-end 70-mile spur resulting in increased maintenance costs. There does not appear to be enough business or capital in the area to justify a crew base in the near to mid-term future, so the Railroad will have to inspect and maintain their locomotives and railcars in either Anchorage or Fairbanks. They

will incur further costs by sending crews to the area and paying for travel time. Traveling the additional 70 miles and back will escalate maintenance costs through increased equipment mileage, crew hours and fuel.

A secondary issue is the additional track, siding, signal and facilities needed along the 70-mile line. This is an additional expense to the Railroad that will be supported by any business that uses Port Mackenzie. We suggest that you engage with the Alaska Railroad leadership to better understand these issues. Also, we believe that rather than take our word, it would be equally wise to converse with potential shippers of bulk materials in order to hear their thoughts and concerns regarding the overall feasibility and utility of a rail extension into Port MacKenzie.

To state that there is no capacity for dry bulk materials export from the POA is false. As I write this, a contractor is staging and loading rock and gravel construction material for export to a job site in Southcentral Alaska. Additionally, we are a month away from signing an agreement with another gravel company for a long-term presence on the POA. We have also received a letter of intent from a third contractor interested in a long-term lease for construction material storage and shipping operations here. This is the same contractor who has, in the recent past, successfully moved dry bulk materials to Western Alaska out of this port. The POA is in discussions with a logistics company contracted to move wind turbine parts for the CIRI wind farm project. The parts will come into the port across the docks, and move out through our barge berths to the project site on Fire Island. These recent examples are clear indicators of the POA's capacity for dry bulk materials export. As you can see, bulk materials movement through the Port of Anchorage is not unfamiliar territory to us.

The above reference also claims that the port lacks bulk rail unloading capability. Since 2003, the POA has added over 60 acres of lay down area and one mile of on-site rail through our fully-permitted and ongoing intermodal expansion project. This rail has been used consistently by our shipping companies and by the Department of Defense for the transport of military equipment to and from this port. In the last 12 months, we have received four shiploads and staged over 10 acres of drill pipe for both BP and Exxon-Mobil to be used for the Liberty Field and other pipe replacement projects on the North Slope. During a subsequent phase of construction, we will add sufficient additional rail to create a trailer-on-flatcar (TOFC) handling yard, and a rail extension that extends the on-port rail all the way to the north end of the new POA acreage. Once in place, this capability will allow us to efficiently move large quantities of rock and gravel construction materials, gas line pipe, additional drill pipe, and any other bulk commodity. By the project's completion, a total of 135 acres will be available for additional business opportunities and increased stockpiling. In short, this draft EIS has once again understated the Port of Anchorage's capabilities.

- II. Chapter 5, *Threatened and Endangered Species*, Section 5.5.4., Environmental Consequences, page 5.5-4, paragraph 3, last line, states:

"For comparison purposes, the number of vessel calls per year at the Port of Anchorage between 2002 and 2008 totaled 227, 313, 224, 244, 178, 184, and 161 (DOT, 2009)"

We were unable to find a copy of the "DOT, 2009" reference in order to understand the context from which these vessel call numbers were taken. POA records more accurately account for annual vessel calls at the Port. According to our records, between 2002 and 2008 those numbers were 520, 517, 515, 487, 454, 414, and 403 respectively. These numbers account for any and all revenue-generating vessels that tied up to POA docks during those years including: petroleum barges, petroleum tankers, container ships, cement ships, salt ships, tugs, dredging vessels, drill pipe/dry bulk transport ships, military ships and transports, and Coast Guard vessels. Our records clearly show that POA has received nearly double the annual vessel calls cited in the EIS.

- III. Appendix H, *Biological Assessment*, Section H.1, page H-1, paragraph 3 states:

"Operation of the proposed rail line extension, including delivery of bulk materials and freight to and from Port MacKenzie, would potentially increase vessel traffic at Port MacKenzie from an average 50 ships per year during 2005 to 2008, the vast majority of which were associated with barge traffic between Port MacKenzie and the Port of Anchorage, to as many as 55 to 63 ships per year..."

These same numbers are also mentioned in the draft EIS on page 5.5-4, Section 5.5.4, Environmental Consequences, at the start of paragraph 3.

From our observations during the period of time referenced above, we have noticed that Port MacKenzie vessel traffic as is described in this draft EIS is a serious misrepresentation of the truth. Through informal observations, we have counted only 8 ships in the last 7 years and not 50 a year. We have visually counted several wood chip bulk carriers, 2 cement ships, a few barges moving VECO modules out of the port, and one barge that made 63 trips in 2008 bringing gravel for our intermodal expansion project. We believe our numbers can be easily validated by contacting Quality Asphalt and Paving (QAP). It is important for you to fully appreciate the real volumes now experienced at Port MacKenzie and to review the numbers calculated in the EIS draft. It is critical that port traffic is accurately presented, and we strongly urge you to clarify these numbers in the final body of the EIS rather than the current reference in the appendix.

2. Dissimilar Assignment of Mitigation Measures.

We read with great interest Section 19.2, Mitigation Measures, both the voluntary mitigation measures and your recommended final mitigation measures, particularly in the area of essential fish habitat (EFH). The POA Intermodal Expansion Project also has to perform EFH mitigation in and around the Ship Creek estuary. What was striking to us was the severity of the difference between permit conditions that could be mandated on an Alaska Railroad construction permit, and those that have been levied on the POA for similar situations. Of particular concern is that as a part of our 404 permit, we are required to maintain a mitigation escrow account in order to fund projects that will compensate for projected losses of EFH in the Ship Creek area. That account was set at \$8.6 million. Ironically, two of the projects to be funded through this account will be Cook Inlet beluga whale prey species EFH in the Mat-Su Borough. It is troubling that none of the recommended mitigation measures in this draft EIS require anything similar for the rail extension project. We believe this matter should be closely re-examined with an eye towards leveling the playing field and recommending a similar mitigation escrow account be established as a part of this project's permit conditions.

3. Future concerns tied to expanded Port MacKenzie operations.

I. Appendix H, *Biological Assessment*, Section H.1, page H-12, paragraph 1 states:

"Port MacKenzie facilities include a deep-draft dock that can be used on a year round basis. In winter months with heavy ice, additional tie-down lines and a stand-by barge are used when ships are broken from their moorings by ice movements."

This statement describes the challenges to using Port MacKenzie in winter months. To even have to plan for "when," not "if," a vessel breaks its moorings in strong currents and ice is very expensive and not something many vessel operators or ship's brokers would be consciously willing to undertake. We believe you will find that the current passes the Port MacKenzie dock at speeds of approximately 6 knots or more, especially during the ebb tides that follow high slack tides. This would explain the statement made above about what is necessary for a ship to stay tied to the dock. In addition, at a recent meeting of the Mat-Su Transportation Advisory Board, Port MacKenzie Director Marc VanDongen actually testified that while he thinks the port is operational in the winter, he prefers to close it and store items to be shipped until spring. The average speed across the dock face at the POA, regardless of what the ongoing tidal action is, ranges from 1 to 2.5 knots. In our estimation, Port MacKenzie may not be well-suited for safe winter operations. We recommend that this be thoroughly examined and analyzed from all aspects before any permit is granted in order to save the taxpayer a significant investment for a facility that

may be of limited utility. The U.S. Army Corps of Engineers Environmental Research and Design Center in Vicksburg, MS, has numerical and physical models that can perform this work.

II. We also have concerns that future construction activities associated with the Port MacKenzie expansion following a rail extension, may negatively impact marine mammal noise mitigation efforts underway for the Port of Anchorage Intermodal Expansion Project. For several years, we have been working cooperatively with the National Marine Fisheries Service (NMFS) to minimize potential impact to the beluga whale, recently listed under the Endangered Species Act (ESA). The POA is very sensitive to the noise generated by port operations, especially from in-water construction work being performed as part of the ongoing intermodal expansion project. In response, the POA complies with several permit conditions specifically mandated in order to mitigate potential harm to Cook Inlet beluga whales. These measures include, but are not limited to, shutting down in-water work for two hours on each side of every low tide and shutting down for two full weeks each summer for local hatchery smolt releases.

Any additional construction efforts outside of, but in proximity to, our Port Expansion footprint must take into consideration cumulative noise and vibration impacts and must not interfere with, or compound, mitigation measures and safety radii already in established Port of Anchorage marine mammal permits. Construction at Port MacKenzie will be approximately 1 to 2 miles away from Port Expansion construction activities, depending upon phasing and staging. The Port's marine mammal safety radii, as established by NMFS to prevent harassment, currently extends 4,991 meters offshore. Any noise from Port MacKenzie construction would have an additive effect increasing safety and harassment radii for existing POA permits.

In closing, the POA fully expects that similar permit conditions will be put in place should future expansion of the Port MacKenzie dock be undertaken.

4. Shoaling in Knik Arm.

This is an added concern with no reference in the draft EIS, but an important one that needs consideration. The attached figure¹, prepared by the NOAA Office of Coast Survey, shows the growth of the Point MacKenzie shoal by comparing surveys conducted in 1992, 2004 and 2008. Construction of the earth fill bulkhead at Port MacKenzie was completed in 1999 and may be the cause of the shoal's growth. The Point MacKenzie shoal is encroaching on the navigation channel leading to the Port of Anchorage. The U.S. Army Corps of Engineers (USACE) has a significant amount of responsibility related to these

¹ See Attachment A: NOAA National Ocean Service, *Survey Comparison, Port MacKenzie Shoal 10 Meter Contours*. 2008.

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conditions, and must study the growth of this shoal to determine whether it is linked to Port MacKenzie development. Further development at Port MacKenzie should not be permitted until this impact is quantified. If shoaling is linked to Port MacKenzie development, the Mat-Su Borough and/or the USACE must fund maintenance dredging to keep the shoal from impacting navigation to both Ports. The U.S. Army Corps of Engineers Environmental Research and Design Center in Vicksburg, MS, can and must model these proposed changes and report the findings. If this is not done, then we will have no choice but to vigorously oppose any and all future development (there is an old adage that if you stick your finger in the water upstream, you will cause something to happen downstream).

We thank you very much for this opportunity to comment. Please contact me at (907) 343-6201 with any questions you may have.

Respectfully submitted,



William J. Sheffield
Port Director

Cc: Senator Mark Begich
Senator Lisa Murkowski
Congressman Don Young
Governor Sean Parnell
Mayor Dan Sullivan

Attachment A

This charter has been corrected through
Notice to Mariners dated 03/17/2007
NOT FOR NAVIGATION



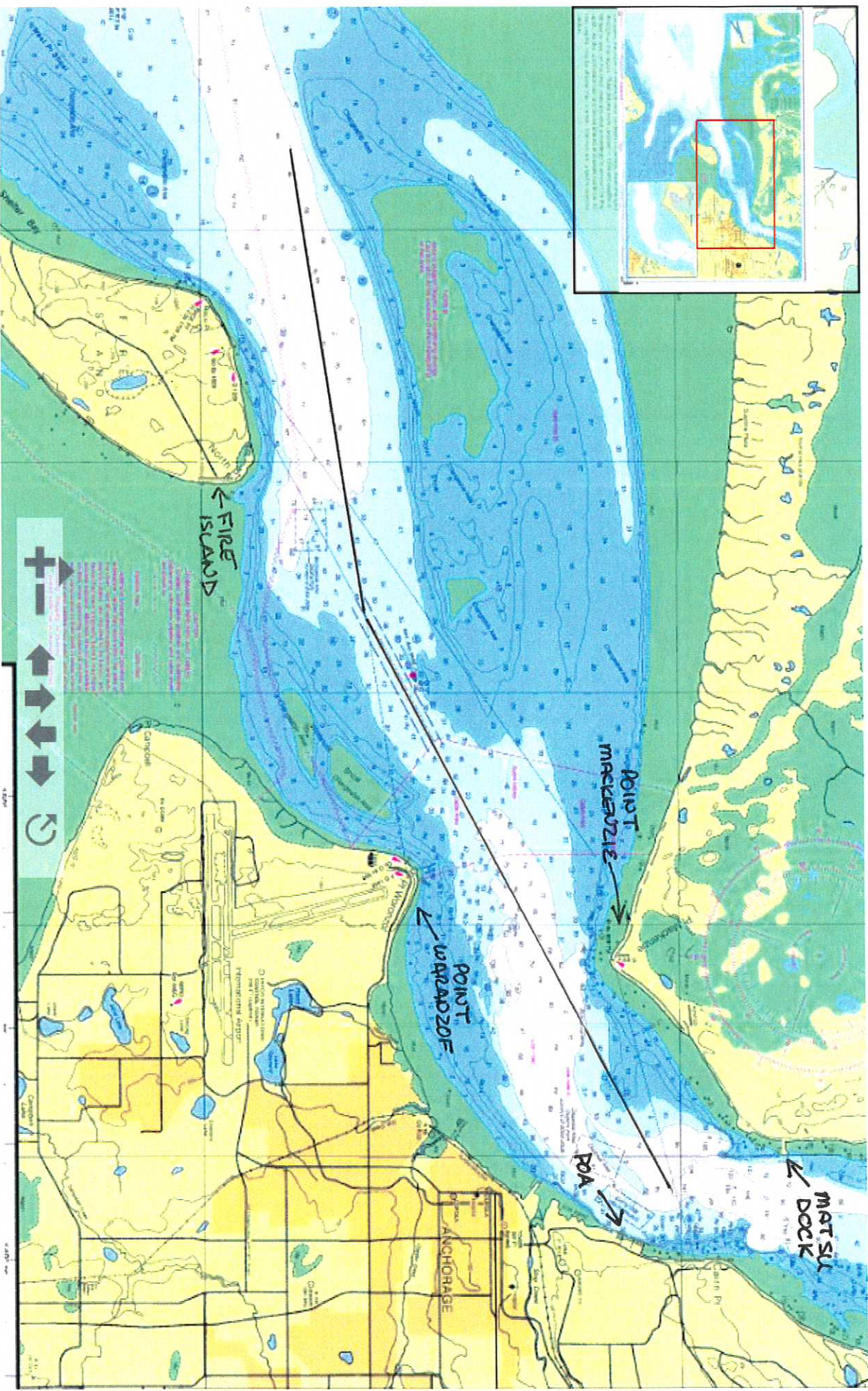
NATIONAL OCEANIC AND
ATMOSPHERIC ADMINISTRATION
NATIONAL OCEAN SERVICE

Project: Multiple
Survey: H10430, H11030-31, H11249
State: Alaska
Locality: Approaches to Anchorage
Sub-locality: Point Mackenzie Shoal
Survey Scale: 1:10,000

Sounding Unit:	Fathoms
Sounding Datum:	MLLW
Horizontal Datum:	NAD 83
Chart Number:	16553
Chart Edition:	2, Mar 06
NOS Ref:	na

SURVEY COMPARISON

Survey Dates
1992, 2001, 2004 &
2008 (preliminary)



- Click the +/- buttons and drag the slider tool (solid triangle) to zoom in and out.
- Click the arrow buttons to pan left/right and up/down.
- Drag the navigation box in the upper left hand corner to move around the chart image.

This chart display or derived product can be used as a planning or analysis tool and may not be used as a navigational aid.

NOTE: Use the official, full scale NOAA nautical chart for real navigation whenever possible. These are available from authorized NOAA