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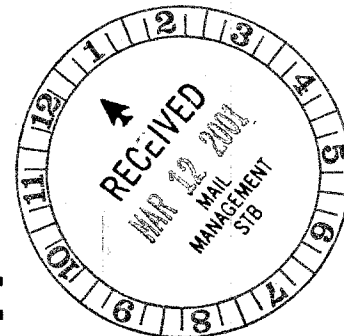
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RESPONSE TO THE
DEIS OF THE DME EXP.



FREE Visitor

Your Guide to Rochester

February 26, 2001



Shopping
Events

RAILROAD OVERPASS NEAR HWY 14, EAST OF
ROCHESTER. PERMISSION OF PUBLISHER GIVEN.

Three million is not a small sum, but it should be compared with two other numbers, one the ~~R&E~~ R&E numbers from Rochester, and two, the total federal farm subsidy of the area the railroad serves. The economic loss to Rochester approaches one billion, and this doesn't even include loss of productivity due to increased wait time in traffic (See Appendix D for MNDOT approach). Having spoken to both Mr. Brennan of the USDA study and Mr. Smith of the ~~R&E~~ R&E study, Mr. Smith talked methodology and process whereas Mr. Brennan was defensive and continued to generalize without benefit of supporting data. Also the five counties of southwest MN which the railroad crosses likely have federal farm subsidies totaling forty to fifty million per year. The farm economy in rural Minnesota is in trouble, and by DM&E's own future agriculture shipment projections, they will not be significantly increased. Not only will DM&E not make or break agriculture in southwest Minnesota, its' future contributions won't even match what a business like PEMSTAR contributes to the Minnesota economy, a manufacturer who has discussed relocating if the DM&E expansion occurs.

B. TRUCK TRAFFIC

Mr. Schieffer has repeatedly warned southeast Minnesota of the potential of the increase of truck traffic if the railroad fails. One, I do not believe the failure of DM&E is imminent which I will discuss later, but two, I don't understand the concepts of the truck traffic argument, which the Executive Summary repeats. I do not see how if the rail folds, farmers in southwest Minnesota and in South Dakota will haul their grain all the way across the state of Minnesota to the Mississippi River when they can take their grain to Nebraska or Sioux City Iowa to be hauled by train eastward. And if one wants to continue this argument further, highway personnel I spoke with in both MN and SD said that the number of resulting trucks, if 100% of the rail cars for example went by truck on Interstate 90, would be an increase of traffic of about 2%, which would be negligible on road longevity and safety. I have never heard an explanation of the truck traffic argument and I would like to see it plotted out in more detail if the SEA continues to use it.

C. DISCONTINUATION OF RAIL SERVICE

DM&E has used its own possible failure to make its' argument for hauling coal. In 1983, the rail abandonment talk was only from near Pierre to Rapid City. One can surmise by looking at the land from Rapid City to Winona that the majority of grain is shipped from western MN and eastern SD, with grain from eastern MN trucked to the river. ^{for} Sen. Larry Pressler told a Rapid City group "Much track is still in poor shape, especially between Rapid City and Pierre", Rapid City Journal, May 21, 1999. Other areas of the line have been improved. Recently 4.1 million was spent improving the line from Winona to Mankato. In 1995, South Dakota sold \$20 million of a \$35million approved bond issue to replace track between Pierre and Wolsey, 100 miles. The \$15 million in bond for work between Rapid City and Pierre was not provided. I would expect the goods hauled from western SD to be high volume/low value commodities, wood chips, bentonite, and that if they were more profitable the line would be in better shape near Rapid City. The worst case scenario I see for DM&E is having to close its' western end of the line, which would not significantly affect grain shipments. There is also no discussion of the FRA Railroad Rehabilitation and Improvement Financing Program. The SEA needs to substantiate, flesh out DM&E's claims, if they are to be used.

D. SAFETY

Undoubtedly with new track, DM&E would have fewer derailments due to poor track. But there's more to safety than repairing poor track, like the number of trains and the number of vehicle crossings. The following are my more personal concerns. I am sure the City of Rochester and the Olmsted County response to the DEIS will cover more general safety issues thoroughly.

1. Children. DM&E crosses low-income neighborhoods in Rochester, one of which I lived in off and on for ten years. A good many of the people who live in these neighborhoods are vulnerable: recent SE Asian or Somali immigrants, the physically or mentally disabled adult, or an impoverished family looking for a new start in Rochester's strong economy. One neighbor two houses away from my previous residence continually left her children, one as young as 3-4, unsupervised. There were numerous police calls by neighbors regarding the children. When Mr. Quirk of the Kutzky Park Neighborhood Association asked Mr. Schieffer about the train traffic and children, Mr. Schieffer said people should teach their kids not to trespass on railroad property. This is true, but unfortunately, the people in Rochester least likely to keep their children from the tracks, live near the tracks.
2. Human Error. Three local taverns known for hard drinking are located near the DM&E line, Mugzees at 6th & 11th Ave. NW, the North Star, two blocks north of the DM&E Broadway crossing, and CJ's, two blocks south of the crossing. DM&E runs the length of this triangle with the Rochester Methodist Hospital centrally located. To use a cliché, this is a recipe for disaster. Hugh Smith, CEO of Mayo, in his comments to the STB board was concerned about a derailment where Rochester Methodist ICU patients would have to be evacuated. The proximity of the

hospital, the trains, and downtown bars is concerning. The economic value of the reputation of the Mayo Clinic and the safety of its' patients far outweighs the railroads' need to haul fertilizer or other hazardous materials.

E. NONAGRICULTURE SOCIOECONOMIC HARMS-URBAN SPRAWL & ECONOMIC STUDIES

The DM&E line in southeast Minnesota runs along the likely routes for both residential and commercial growth. New residential subdivisions will not want to be near the coal trains. The railroad will push growth further out, leaving a "gray belt" surrounding the coal trains where other development would have occurred. The new growth will be further out from the main transportation routes, consuming more rural land and increasing infrastructure costs for the entire area. Southeast Minnesota is a high wage low unemployment area, especially the centrally located areas in which DM&E is located. New high tech businesses like Pemstar do not want to be located near the tracks. Though these concerns are based on southeast MN, southeast Minnesota makes up the bulk of people affected by the DM&E expansion. And perhaps more importantly, it is the region because of the quality of its' infrastructure, that would see the greatest economic growth if the DM&E expansion doesn't go through.

If socioeconomic benefits of the railroad are to be discussed they should be in relation to its' harms. Appendix D is a study by MNDOT on the ramp meters in the Twin Cities. Such a study would be helpful in looking at harms in Rochester. By my own rough calculations, if the time my husband waited for coal trains going to and from his employer, the Mayo Clinic, was calculated as lost billing time, it would total nearly \$2,000/year.

F. OPTIONS

Besides the No-Build Alternative I would like the STB to look at two additional alternatives. The first is the one I believe proposed by Rep. Gutnecht, that would upgrade the present DM&E facilities without the extensions to the Powder River Basin using the FRA Railroad Rehabilitation and Improvement Financing Program. The second alternative would be to end the railroad upgrade in Owatonna. Lately DM&E has been claiming only a limited number of trains will continue all the way to Winona, less than ten; so why spend all the money upgrading all the way to Winona? Both of these alternatives deserve merit for study by the SEA.

II. RESPONSE TO SECTION 106 EVAL. REGARDING THE STONE ARCH BRIDGES

According to the Section 106 document, there are 17 stone arch railroad bridges, the oldest of which are in Winona County. I called the Minnesota Historical Society two weeks ago to find out the status of the bridges if the coal trains come through. Dennis Gimmeseth at the Historical Society told me he spoke with the DM&E two years ago, but hasn't heard from them since, and was not aware of any deadlines in the process. He suggested I call the STB for the deadlines. I did so. I was transferred to Ms. Rutson who put me in touch with Dan Shinn, an archaeologist with Burns & McDonnell. I asked Mr. Shinn if stone arch bridges can be adapted for coal trains, and what he said wasn't encouraging. My questions and comments on trying to analyze this element of the DEIS are as follows:

A. The DEIS was not accessible on the Internet. There was limited indexing and cross referencing, and the pdf files were unwieldy. Even though I was using a computer only a few months old, I had to go to the library to view the Section 106 analysis.

B. Why was the Minnesota Historical Society unaware of the time frame? My reading of the programmatic agreement gives the Section 106 evaluation the same time frame as the DEIS. Is this correct? Does the MN Historical Society have enough time?

C. The stone arch bridge inventory sheet should list whether or not the bridge is on the National Register, not just if it is eligible. The nomination sheets for the National Register properties should be included.

D. What is the status of the bridges? In Volume II of the DEIS, it appears that the double arch bridge at the "Arches Park" in Winona can be retrofitted. But what about the other bridges? For example, the bridge on the cover was not in Volume II. What does that mean?

The stone arch bridges in Winona and Olmsted County are lovely. They may be in the background, but they contribute to the areas' sense of place. Too much of today's civil engineering contributes to a "geography of nowhere".

March 5, 2001
Page 4

III CONCLUSION

No one would disagree that this needs to be a fair process. Assumptions need to be supported. I don't believe the No Build Alternative should be dismissed with broad generalizations. Much more information also needs to be provided on the stone arch bridges. Thank you for considering my comments. I look forward to your response.

Sincerely,

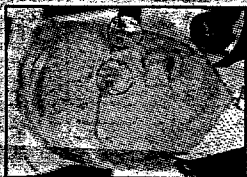
A handwritten signature in cursive script, appearing to read 'Karla K. Johnson'.

Karla K. Johnson

A second handwritten signature in cursive script, appearing to read 'Karla K. Johnson'.

DM&E exec courts farmers

By Jeff Dankert
Winona Daily News



Lynn Anderson

LEWISTON, Minn. — The vice president of Dakota, Minnesota and Eastern Railroad spoke in friendly territory Thursday night, pitching DM&E's proposed rail expansion and upgrade to a farm organization that has voiced support for the project.

DM&E's Lynn Anderson promised better transportation, more jobs, increased property values and ultimately more money in the

farmer's pocket, at the annual Winona County Farm Bureau banquet.

Anderson dismissed recent reports of a DM&E plan for a rail yard in Winona County.

"(Rail yard locations) have not been determined," Anderson said. "Generally, there will be a yard in eastern Minnesota. That location has not been identified. We're looking at several sites."

Earlier this week Winona environmentalists announced consultants met with the Minnesota Department of Natural Resources about a

proposed rail yard in Stockton Valley between Minnesota City and Stockton along Highway 23, or an alternative site east of Lewiston.

DM&E President Kevin Scheffer denied any plans. Anderson did the same Thursday night.

"Until such time as we get to a point where we think that we've narrowed the options down, we don't feel it serves any purpose to come out and start (identifying sites)," Anderson said.

► Please see DM&E/4A

Friday, March 19, 1999
Winona Daily News

► DM&E

From page 1A

son said.

DM&E is seeking federal approval for a \$1.4 billion project to build 260 miles of new track from Wasta, S.D., to coal fields in the Powder River Basin near Gillette, Wyo., and rebuild 600 miles of existing track from Wasta to Winona.

"It will give us the funds with the additional traffic to completely rebuild the existing DM&E," Anderson said. "It ensures that the DM&E Railroad is going to be here for the long run."

Anderson listed the advantages to agriculture from a DM&E upgrade: increased safety for DM&E employees and customers, minimized derailments, greater speed and velocity of cars, greater reliability of operations, increased loads in rail cars, longer trains and new rail connections on the east end.

"We're looking to improve the connection we have with Canadian Pacific Railroad east of here (Winona)," plus Union Pacific in Winona, Anderson said.

"We think that is going to give us new markets and new opportunities for people."

Anderson said the U.S. Department of Agriculture also supports DM&E's proposal.

"They feel that this could mean as much as a 20-cent a bushel increase in the base price in our service territory and provide \$90 million a year in additional farm income in this particular part of the country."

That sounds especially encouraging to farmers in the midst of the lowest commodity prices in years.

"If we can handle more fertilizer, and pesticides and herbicides, and things like that, get it out there in bigger volumes, lesser cost, lowers the input costs and increases yields, that again is going to mean more money in the agriculture producer's pocket," Anderson said.

Highways, meanwhile, are falling apart, Anderson said, and rail will be relied upon to move commodities.

But according to National Farmer's Organization data from September 1998, trucks have surpassed rail as the predominate mode of grain transportation. Trucks ship 45 percent of all farm commodities, rail ships 32 percent and barges ship 12 percent.

Anderson said if DM&E can strengthen its rail, less grain will move over rural roads. He said improved DM&E track would generate additional property tax revenues, "higher land values in its service region" and ultimately better roads and schools.

More than 90 percent of existing DM&E customers support the project, Anderson said, including Winona County Farm Bureau, Farmers Elevator Association, Minnesota Crop Production Retailers and the Minnesota Soybean Growers.

Anderson also promised increased jobs from DM&E rail construction.

note "in this particular part of the country"

APPENDIX A

↖
NOTE PHONE # for
MR BRENNAN

.....
facsimile transmittal

To:	Carla Johnson	Fax:	(605) 343-3469
From:	William Brennan	Date:	04/20/99
Re:	USDA's DM&E Statement	Pages:	10
CC:			
☐ Urgent ☐ For Review ☐ Please Comment ☐ Please Reply ☐ Please Recycle			

.....

Ms. Johnson,

I hope this is helpful.

.....
CONFIDENTIAL

APPENDIX B

PRB DECISION, *continued from page 1*

the National Grain and Feed Association, and agri-business customers who must have reliable, cost-effective rail transportation. Speaking for its 2,100 producer members, South Dakota Soybean Processors states: "that every one in South Dakota and Minnesota—every resident, every farmer, every business—will gain and benefit with the development of this major project by the DM&E." Without the DM&E, which handled more than 66 million bushels of grain last year, South Dakota and Minnesota drivers would face 80,000 grain trucks.

In support of the DM&E project, the USDA noted agricultural producers would gain access to key markets that would bring increases "as high as 20 cents per bushel for both corn and wheat." An increase of *only one-half that amount* would add more than \$90 million to farm income in a typical crop year, the USDA said.

Letters of support also came from DM&E employees, including the United Transportation Union.

A Wall Street perspective

Gary Yablon of Schroders, a respected rail stock analyst, examined the project and prepared a 16-page report, published August 27. Finding DM&E's coal tonnage estimates "too optimistic," he lowered them by 25 percent. "However, even at lower coal tonnage amounts, if the company is correct about the cost structure of the property, the project's internal rate of return could be enticing." Assuming an equity investment of \$300 million, Shroeders calculates the internal rate of return to be 27 percent. The STB said: "DM&E should be able to produce a positive annual income... within three years" after operations begin.

Yablon notes if the DM&E project moves ahead and is largely successful, "we do not believe it will adversely impact the long-term EPS CAGR (earnings per share/compound annual growth rate) of either Burlington Northern Santa Fe (BNI) or Union Pacific (UNP)."

Regulatory approval of DM&E's expansion project by the STB "is an

PRB PROJECT HIGHLIGHTS

<u>New construction</u>	<u>Miles</u>
Wasta, SD to WY coal mines	262
Mankato, MN bypass	13
Owatonna, MN connection	3
Total	278

<u>Track rehabilitation</u>	<u>Miles</u>
Wasta, SD to Winona, MN	585
Oral to Smithwick, SD	10
Total	595

<u>Project cost</u>	<u>\$ Millions</u>
Phase I	
—New construction	\$532
—Rehabilitate track	\$876
Total cost	\$1,408

Phase II	
—upgrade 240 miles of non-coal route track	\$65*

Phase III	
—Additional passing, tracks, yards to accommodate growth	\$208*

* Included in \$1.41 billion total cost

important step in the process," notes Schieffer. "We are now working with all interested parties and agencies on remaining project issues, including the engineering and operating plans, and the environmental review."

Job, tax impact

In an Economic Impact Study prepared by three economic consultants, it was determined that the Powder River Basin project would have a positive impact in Minnesota, South Dakota and Wyoming by creating approximately 5,000 construction and related jobs over the two-year construction period and 500 new, permanent railroad jobs initially. When the line is fully operational handling 100 million tons of coal annually, the number of rail jobs will increase to 1,500, including the 300 employees who are working on the DM&E today. In addition, there will be potential industrial development that will create more growth for communities along the line.

PRB Engineering Staff

DM&E has hired supplemental engineering staff to help plan and build the Powder River Basin Project. They have set up offices next to the railroad's headquarters in Brookings.

OWNER'S REPRESENTATIVES:

- Frederick R. Harris, Inc.
- HWS Consulting Group, Inc.

DESIGN/BUILDERS

- Powder River Basin Design/Build Consortium

LEAD CONTRACTOR

- Morrison Knudsen Corp.

CONSTRUCTORS

- Morrison Knudsen Corp.
- Herzog Contracting Corp.
- Neosho Construction Co., Inc.

ENGINEERS

- HDR Engineering, Inc.
- HNTB Corporation

Construction-related taxes of more than \$50 million are projected to flow to the states involved with ongoing permanent taxes estimated at \$38 million annually.

Individual taxpayers stand to benefit from the project. For example, South Dakota's real estate tax revenues are expected to rise by \$14 to \$17 million annually, of which roughly 70 percent would be allocated to pay school taxes. According to a recent analysis by the law firm of Davenport, Evans, Hurwitz & Smith, Sioux Falls, S.D., taxes stemming from the DM&E expansion could help fund additional property tax relief for the entire state of South Dakota.

PRB Update

Dakota, Minnesota & Eastern Railroad Corp.
337 22nd Avenue South
Brookings, SD 57006

Kevin V. Schieffer, President and CEO (605) 697-2400

APPENDIX C

APPENDIX D

HERPES

Winner of three Pulitzer Prizes

FRIDAY, FEBRUARY 2, 2001 ■ 50

NOTE: BENEFITS/COSTS ANALYSIS

APPENDIX D

www.pioneerplanet.com



Study: Ramp meters help more than hurt

But analysts say their use must be balanced to satisfy motorists

TONI COLEMAN STAFF WRITER

ONLINE

Twin Cities ramp meters save money, speed traffic and reduce accidents, but they still aren't always needed, concludes a long-awaited and nationally watched study. The results of Minnesota's groundbreaking meter shutdown experiment demonstrated the system's clear benefits but also the need to balance traffic management and the public's concerns, transportation officials said Thursday.

When the Minnesota Transportation Department turned off the system's 430 ramp meters for eight weeks, researchers found an increase in crashes and unpredictable but generally increased travel times, even though freeways didn't hold as many cars as when meters were operating.

The study focused on four key interstate corridors: the northwestern quadrant of I-494, I-94 between downtown Minneapolis and St. Paul, I-35W south of Minneapolis and I-35E north of St. Paul, where metering was first tested.

The study also concludes that ramp metering produced annual savings of about \$32 million for Twin Cities drivers, a benefit-to-cost ratio of roughly 5-to-1. That figure represents calculations of the amount spent on traffic management efforts — including operation and management of the metering and other tools — and the monetary

at the
long-awaited findings
omissioned by the
Minnesota Transportation
partment used what
e study's authors call
conservative assumptions
to arrive at this
breakdown:

Benefits

- Travel time (25,121 hours saved)
- \$247,000 in savings
- Travel time reliability (2,583,620 hours of unexpected delay avoided)
- \$25,449,000
- Crashes (1,041 crashes avoided)
- \$18,198,000
- Emissions (1,161 tons of pollutants saved)
- \$4,101,000
- Fuel consumption (5.5 million gallons of fuel depleted)
- \$7,967,000
- Total annual benefit: \$40,028,000

Costs

(For entire congestion management system)

- Capital costs \$5,765,950
- Operations \$893,836
- Maintenance \$967,489
- Research \$250,000

Total annual cost \$7,877,000

Annual net benefit \$32,151,000

(5:1 benefit-cost ratio)

Rounded figure

Source: Cambridge Systematics

RAMPS CONTINUED ON A4