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July 18, 2003

VIA HAND DELIVERY

Ms. Victoria Rutson
Chief
Section of Environmental Analysis
Surface Transportation Board
1925 K Street, N.W.
Washington, DC 20402-0001

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OFFICE OF THE SECRETARY
SURFACE TRANSPORTATION BOARD
WASHINGTON, DC 20420

**Re: Finance Docket No. 34284 -- Southwest Gulf Railroad Company --
Petition for Exemption from 49 U.S.C. § 10901 to Construct and
Operate a Rail Line In Medina County, Texas**

Dear Ms. Rutson:

By this letter, Southwest Gulf Railroad ("SGR") requests a determination by SEA, pursuant to its rules at 49 CFR § 1105.6, that the proposed construction and operation of the approximately 7 mile rail line that SGR has proposed to construct in Medina County, TX will not have any significant environmental impacts and that therefore an Environmental Assessment ("EA") is the appropriate type of environmental document to prepare rather than an Environmental Impact Statement. The Board's rules provide SEA with discretion to make the determination requested here. SGR believes for the reasons stated below that SEA should exercise its discretion to prepare an EA with respect to SGR's proposal.

SGR filed a petition for exemption with the Board in support of its proposal on February 27, 2003. The Board conditionally granted that petition by decision served May 19, 2003. The Medina County Environmental Action Association (MCEAA), on May 23, 2003, filed a petition seeking revocation of the exemption, to which SGR responded on June 9, 2003. That petition remains pending.

The proposed line will traverse primarily pastureland and rangeland in a rural area that is relatively sparsely populated. Under either the preferred alternative, or other feasible alternatives, no homes will be taken by the line and the line will not be any closer than approximately 400 feet from any inhabited home. The line would not be located near any schools, churches or other institutions.

The line's initial customer would be a limestone rock quarry that would be developed at the north end of the line by Vulcan Materials Company, the parent of SGR. The quarry will be located in an upland area allowing easy access to the Edwards Limestone, which, like practically

all other quarries in the region, is located in the Edwards Aquifer Recharge Zone. Such limestone is used for a variety of construction purposes in Texas and other surrounding states. The quarried limestone would be crushed and screened into various construction material products referred to as "crushed aggregate". The aggregate would then be transported by rail (or truck were no rail line constructed) from the quarry site. .

The rail line would include, at its northern terminus, a loading track (or series of tracks) on the quarry property within the general area of the stone crushing and screening plant. This crushing, screening, and rail loading plant will reside in an area of approximately 200 acres south of the actual quarry. To avoid any threat of contamination of the Edwards Aquifer, all petroleum storage and fueling facilities will be located on property further south of the crushing and screening and rail loading plant, on an area off the Edwards Aquifer Recharge Zone. These fueling facilities will be developed consistent with all relevant federal, state and local regulatory requirements regarding protection and containment of the fuel supply, and in conformity with all requirements imposed by the Edwards Aquifer Authority, which has been consulted on this project.

At its southern terminus, the line would connect with the Union Pacific line. For its initial operations, the rail would transport rock from the quarry to the UP line, with empty cars returning northbound. It is anticipated that there would be four trains operating over the line per day – two loaded trains southbound and two empty trains moving northbound. Each train could consist of as many as 100 cars.

SEA has been provided with a detailed map of the area and officials from SEA and URS Corporation, the third party contractor, have visited the site of the proposed line. In addition, several URS experts in various environmental disciplines, including hydrology, geology and cultural resources, have conducted extensive site visits. (Additional studies will also be undertaken by URS, as noted further below.) To date, SGR understands that no significant environmental issues have been identified with respect to the rail proposal. SGR further understands that URS has conducted various biological, geological, hydrological and cultural resources surveys of the area and that additional studies of noise, vibration and other impacts will be undertaken.

Under SEA's direction, URS submitted consultation letters to 19 federal, state and local entities in order to solicit views on possible impacts that might result from construction and operation of the rail line. These letters were sent to the following agencies: U.S. Environmental Protection Agency, U.S. Army Corps of Engineers, Advisory Council on Historic Preservation, U.S. Fish and Wildlife Service, Natural Resources Conservation Service, Federal Emergency Management Agency, Texas Historical Commission, Texas Commission on Environmental Quality - Environmental Protection Division, Governor's Office of Budget and Planning, Texas Parks and Wildlife, Texas General Land Office, Texas Department of Transportation, Texas Water Development Board, Kickapoo Traditional Tribe of Texas, Medina County Judge, Medina County Groundwater Conservation District, Schweers Historical Foundation, City of Hondo and City of Castroville. SGR understands that the Texas Historical Commission (possibly among

other agencies) has requested additional information to allow for its assessment of the line, but that no agency to date has identified a significant adverse impact from the line.

A public meeting was held by SEA on June 12, 2003 in Hondo, TX, the county seat of Medina County. The meeting generated numerous written comments both for and against the proposed rail line and the quarry. None of the comments made or filed in opposition to the line and/or quarry give rise to any issues that would warrant the preparation of an EIS. SGR will respond to these comments in a separate submission to your office.

In addition, Vulcan has worked cooperatively with the U.S. Fish and Wildlife Service ("FWS") to prepare a Biological Assessment for the quarry project and the rail line. The Assessment was prepared by a team of experts in biological, geological and cultural resources. An initial report was submitted to FWS in December 2001 and has been supplied to SEA. As part of the Assessment, a three year biological survey, which began in 2000, was undertaken and has now been completed. Supplemental Assessment reports are being prepared and will shortly be submitted to FWS, with copies to be provided to SEA. The Assessment concludes that the project will not have any serious adverse impacts on wildlife and vegetation in the area, and that no threatened or endangered species will be impacted.

The proposed line will not traverse any jurisdictional wetlands. Parts of the area, particularly near Quihi Creek, to be traversed by the line are already prone to flash floods. The rail line will not change or exacerbate that situation. In that regard, SGR intends to undertake detailed engineering work as required to design the stream crossings (which will be via appropriate and conventional trellis bridges) in a manner that would not exacerbate any existing flooding issues. SGR has no reason to believe, based on the work performed to date, that there are any unique issues regarding flooding here that cannot be addressed by proper engineering design and construction. In that regard, SGR has located its preferred route to allow for the crossing of Quihi Creek at its lowest point of flow. Further, on July 16, 2003, a representative of SGR met with the Medina County Flood Plain Administrator and toured the proposed stream crossing locations. SGR will consult at all appropriate stages with the Flood Plain Administrator and with the Corps of Engineers and any other relevant agencies on these matters.

The area to be traversed by the line is geologically very stable; there are no active faults in the area. San Antonio and Austin are built on the same ancient fault line (the Balcones Fault zone) that the line will cross. The fault, which created the Texas Hill Country and the uplands where the quarry will be located, has been inactive for millions of years.

Karst features are not a concern for the proposed line. Such features exist only in the limestone formations in the area, i.e., the area immediately around the quarry. Only a small portion of the loading loop near the quarry will be located in this area, which has been thoroughly surveyed by qualified geologists who have concluded that there are no environmentally significant karst features. The remainder of the rail line, constituting virtually the entire seven miles of the line, will reside on stable shale and gravel that cannot develop karst features.

SGR intends to ensure that its line is constructed in a manner that will protect cultural resources, specifically, certain historic homes in the area. At its closest point, the preferred alignment comes no closer than about 1,000 feet from the Schuehle-Saathoof Historic House. SGR understands that SEA has asked URS to review the possible impact of vibration from rail traffic on this structure. Given the distance of the structure from the line, and the fact that the trains will not operate at high speeds, SGR does not believe that vibration will be a problem, but will consult with SEA on this matter should the vibration study suggest otherwise. It bears note that movement of the line farther east, to a point more than 1,000 feet away from the historic home, is probably not feasible as this would make it impossible for the line to cross Quihi Creek at the most optimal point for such a crossing. With respect to the potential impacts of vibration on well and irrigation pipes in the area, SGR intends to consult with the engineers that will design and construct the line to ensure that any vibration impacts are minimized.

SGR also understands that SEA has asked URS to review potential noise impacts of the line. SGR believes that these impacts will be minimal given the relatively low housing density proximate to the line, the modest level of projected train traffic and the absence of any institutions (schools, churches, etc.) near the line. The four trains/day that SGR will operate are below the eight train/day threshold set forth in SEA's regulations for noise analysis. Again, SGR will be prepared to discuss noise issues with SEA once the noise study has been completed.

Medina County is an air quality attainment area. Air quality impacts of the line are expected to be minimal, and the number of trains projected to be operated is below the eight train/day threshold in SEA's regulations warranting detailed air quality analysis.

The proposed rail line will be constructed to ensure that it is in compliance with requirements imposed by the Edwards Aquifer Authority ("EAA"). In its April 16, 2003 response to the environmental consultation letter it received in this proceeding, the EAA noted that most of the line is not in the Recharge Zone and that rail transport is a better alternative to the trucking option for the transportation of quarried limestone. As noted, SGR intends to construct those portions of the line that may be within the Recharge Zone in a manner consistent with all EAA requirements. SGR will consult regularly with the EAA relative to this matter.

SGR intends to construct its line in a manner that will minimize adverse land use impacts. Where possible, the line will be constructed on property already owned by entities affiliated with SGR. Further, SGR's preferred routing was designed to minimize the number of properties that would be traversed by the line. To the extent property not already owned by SGR affiliates will need to be acquired for the line, SGR will endeavor to the greatest extent possible consistent with sound engineering and design to locate the line along or near fence lines and thus reduce any impacts to agriculture. SGR will also design the line so as to avoid any potential adverse impacts to any irrigation pipes and wells that may be in the vicinity of the line.

The line will cross only one state highway, which is a lightly used farm-to-market road, FM 2676. According to Texas Department of Transportation ("Texas DOT") statistics, only about 570 vehicles/day use this road in the vicinity of the proposed crossing. SGR has begun consultations with the Texas DOT about the appropriate protection for this crossing and expects to complete those discussions within the coming weeks. The line will also cross one other paved

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County road (CR 4516) and between three and four other gravel topped county roads. SGR is currently reviewing options for crossing protection for these roads and intends to discuss these matters with appropriate county officials in the near future. SGR will report to SEA on the progress of its discussions with Texas DOT and County officials.

The proposed line will also cross two pipelines. One of these is owned by Duke Energy. That pipeline, formerly used to transport natural gas, is not currently in use, although, according to representatives of Duke Energy, pressure is maintained on the pipe to insure its integrity in the event of future use. SGR has initiated discussions with Duke Energy about requirements with respect to crossing the pipeline, which is located north of the planned Quihi Creek crossing. Further, SGR is investigating the ownership of the other pipeline that will be crossed (which is about one mile north of the southern terminus of the line) and is prepared to consult with its owners with respect to all appropriate measures that may need to be taken to ensure safety. SGR understands that this other pipeline was also used to transport natural gas, but it is unclear whether or not the pipeline is still in use.

Based on the above, SGR reiterates that there do not appear to be any significant environmental impacts associated with its proposed rail line. For that reason, SGR requests that SEA move forward to prepare a Draft EA in this matter and thereby waive the provisions of 49 CFR 1105.6 to the extent that that regulation may call for an EIS. SGR appreciates that a determination to prepare an EA in this matter would be subject to re-examination in the event that subsequent developments indicated that an EIS is warranted.

Sincerely,



David H. Coburn
Attorney for Southwest Gulf Railroad
Company

cc: Ms. Rini Ghosh, SEA
Ms. Jaya Zyman-Ponebshek, URS
Mr. Darrell Brownlow