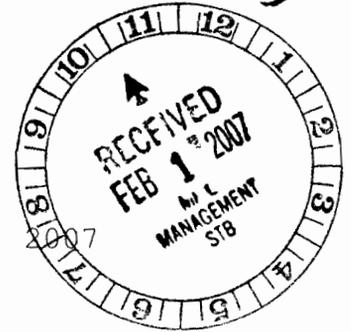


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January 30, 2007

Ms. Vitoria Rutson
Section of Environmental Analysis
Surface Transportation Board
1925 K Street, N.W.
Washington, D.C. 20423

**RE: STB Finance Docket No. 34992, Itasca County Regional
Rail Authority, Petition for waiver under 49 CFR
1105.10 (a) .**

Dear Ms. Rutson:

Pursuant to 49 CFR 1105.10(c)(2) I am writing on behalf of the Itasca County Regional Rail Authority ("Itasca"), to request a waiver of the six months pre-filing notice required by the Board's environmental regulations at 49 CFR 1105.10(a)(1). Within the next several weeks, Itasca plans to petition the Board for an individual exemption under 49 U.S.C. 10502 from the requirements of 49 U.S.C. 10901 to permit it to construct a new line of railroad, approximately 9 miles in length to serve a customer [Minnesota Steel Industries, LLC] at Nashwauk, 15 miles east of Grand Rapids, MN. Itasca submits that a waiver of the 6 months' advance notice requirement is consistent with the regulations of the Section of Environmental Analysis ("SEA") and the Board's policies. Because Minnesota Steel requires that the rail line be constructed and ready for operation by the time its plant is ready in early 2009, a grant of this waiver is critical to meeting Minnesota Steel's service needs.

For your information, Itasca is a regional rail authority and political subdivision established in Itasca County under Minnesota law for the purpose of owning, constructing, and operating railroads in Itasca County. Minnesota Statutes 2006, chapter 398A. Itasca County is a rural, economically depressed area in the "iron range" area

of northern Minnesota located approximately 80 miles northwest of Duluth and approximately 205 miles northwest of Minneapolis. With the county seat located at Grand Rapids, MN, Itasca County has a population of approximately 44,000 people. Itasca County's principal economic activity consists of logging, iron mining, farming, and tourism. Itasca does not currently own or operate any rail lines or facilities of any type.

Should the Board grant Itasca's construction petition, it intends to build a new rail line from the vicinity of Nashwauk to a point near Taconite, MN, to handle inbound raw materials and outbound steel products to be produced at a new mill which Minnesota Steel intends to build at the end of the line at Nashwauk. Upon completion of the line's construction, Itasca intends to contract with a common carrier short line railroad to provide service over the line in its own name and for its own account. Itasca has issued a short line railroad request for proposal and has narrowed to two the number of short line operator candidates under consideration. The successful short line railroad will then seek authority from the Board to operate the subject rail line as a common carrier in its own name with Itasca County retaining just a "residual" common carrier obligation. The rail line owned by Itasca and served by its designated short line railroad will connect with an existing railroad line that extends between Grand Rapids and Forbes, MN, via Hibbing. This line is owned in part by BNSF Railway, Inc., and in part by the Canadian National Railway Company, with both carriers operating over the line. Itasca and its short line operator will have access to both class I railroads.

Minnesota Steel is a newly established company that is in the process of designing a vertical integrated steel facility to be located and built at the end of the line at Nashwauk. This plant is located adjacent to a supply of taconite ore. The rail line will be used to import miscellaneous chemicals to be used in the manufacturing process and to handle outbound steel slabs and taconite pellets. Minnesota Steel's facility is currently the subject of a draft environmental impact study expected to be released around mid-February 2007. Construction will begin around July 2007 with completion of the facility projected for early 2009.

The waiver provisions of the Board's environmental

rules require a party seeking a waiver to describe as completely as possible the environmental effects and timing of the proposed action and to show that all or part of the six month lead period is not appropriate. Moreover, the regulations require a party seeking a waiver to indicate (1) whether the area affected is a nonattainment area, (2) the number of trains per day that would be involved and the commodities and tonnage that would be handled, and (3) the impacts, if any, on endangered species.

In response to these inquiries, Itasca anticipates that the environmental effects of its proposed construction project will be minimal. Regarding the questions identified above, the subject area is an attainment area. Based on information supplied by Minnesota Steel, Itasca anticipates that the line would handle about 30,000 carloads and three million tons annually. Itasca's designated short line railroad will move this traffic utilizing one train making a single daily roundtrip, at 70-90 carloads per trip, 7 days per week. Commodities handled will include inbound miscellaneous chemicals and outbound steel slabs and taconite pellets. This traffic represents new business, which, but for the railroad, would move by truck over local roads.

Regarding environmental impacts, movement of this traffic by rail instead of truck will be very beneficial due to reduced highway congestion and associated air and noise pollution and energy consumption. The line will be built on land owned in large part by Minnesota Steel. The project will be located in a designated industrial corridor of Itasca County. The proposed track alignment will traverse an area of abandoned iron ore mines, overburden piles, and tailing basins. There will be no crossings of any public highways. Itasca anticipates that the line will have five private crossings. The line does not cross any nonnavigable waterways. It is currently unknown whether there are any animal or plant species potentially affected by this project.

Regarding other matters, Itasca has decided to pursue this construction project in one step, involving its entire length, instead of breaking it into two small discrete projects. Moreover, Itasca has issued a Request for Qualification for an independent third party environmental consultant to assist the Board's Section of Environmental Analysis (SEA) on this project and has recently selected

the firm of Burns & McDonnell as the consultant. Itasca understands that Burns & McDonnell is on the SEA's "pre-approved" list of consultants. With that selection, Itasca is ready to move ahead aggressively on this project and will be ready to submit to the Board its petition for exemption for construction authority within the next few weeks.

Because Itasca believes that the environmental impacts of this project will be negligible, preparation of a full environmental impact statement should not be necessary. Accordingly, the six month lead time is unnecessary and should be waived.

Please date stamp and return one copy of this letter.

Sincerely yours,

A handwritten signature in black ink, appearing to read "John D. Heffner", with a long, sweeping horizontal stroke extending to the right.

John D. Heffner

cc: Mr. Ron Dicklich
Mr. David McKenzie
John Muhar, Esq.
Mr. Steve Thornhill
Mr. Kenneth Blodgett