



SURFACE TRANSPORTATION BOARD
Washington, DC 20423

EO-432
v

Office of Economics, Environmental Analysis and Administration

February 26, 2007

Mark E. Yachmetz
Associate Administrator
Federal Railroad Administration
1120 Vermont Avenue, N.W.
Washington, DC 20590

Re: STB Finance Docket No. 34177, Iowa, Chicago & Eastern Railroad Corporation – Acquisition and Operation Exemption – Lines of I&M Rail Link, LLC

Dear Mr. Yachmetz:

I am writing you to invite the Federal Railroad Administration (FRA) to be a cooperating agency in the preparation of the Environmental Impact Statement for the undertaking described below on the basis of FRA's special expertise and jurisdiction by law. I am making this request pursuant to the regulations of the President's Council on Environmental Quality at 40 CFR 1501.6.

On December 28, 2006, the Eighth Circuit Court of Appeals affirmed the Board's decision authorizing DM&E to construct and operate a new rail line into Wyoming's PRB following an extensive environmental review. Thus, DM&E now has final Board approval to build that new line. See Dakota, Minnesota & Eastern R.R. – Construction into the Powder River Basin, Finance Docket No. 33407 (STB served Feb. 15, 2006), aff'd, Mayo Foundation et al. v. STB, 472 F.3d 545 (8th Cir. 2006) (Construction).

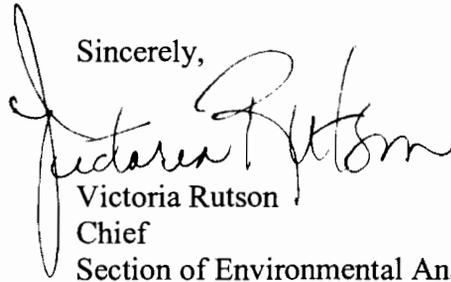
In a separate proceeding, the Board authorized the acquisition of the I&M Rail Link (IMRL) by the Iowa, Chicago & Eastern R.R. (IC&E) and DM&E (Acquisition). See the Board's decisions issued July 22, 2002, Feb. 3, 2003, and Oct. 18, 2006, and a memo dated July 26, 2006 from the Board's Section of Environmental Analysis (SEA). In approving the acquisition, the Board found that no environmental impacts would result from DM&E and IC&E simply stepping into the shoes of IMRL, with respect to IMRL's existing operations. But the Board recognized that there could be cumulative environmental effects of its approval of the Construction and the Acquisition that should be examined under the National Environmental Policy Act. Because the Board was not prepared to examine those cumulative effects at that

time, it conditioned its approval of the Acquisition case upon a routing restriction that precludes DM&E from transporting any PRB coal over the former IMRL system until the Board has considered the anticipated cumulative environmental impacts of the two cases.

On January 30, 2007, the Board voted to approve a recommendation by SEA that preparation of an Environmental Impact Statement is appropriate here. Consistent with prior Board decisions in this proceeding, the Environmental Impact Statement will examine the potential environmental impacts resulting from the movement of DM&E Powder River Basin coal trains, both empty and loaded, over the former lines of the IMRL. SEA intends to issue the Notice of Intent to Prepare an Environmental Impact Statement and Draft Scope of Study in the near future.

If you have any questions, please feel free to contact me or Ken Blodgett of my staff at 202- 565-1554 (email at blodgett@stb.dot.gov). We look forward to working with you in the near future.

Sincerely,

A handwritten signature in black ink, appearing to read "Victoria Rutson". The signature is written in a cursive style with a large, looping initial "V".

Victoria Rutson

Chief

Section of Environmental Analysis