



SURFACE TRANSPORTATION BOARD
Washington, DC 20423

Office of Economics, Environmental Analysis and Administration

February 12, 2007

Mr. John D. Heffner, PLLC
1920 N Street, N.W.
Suite 800
Washington, DC 20036

Re: Finance Docket No. 34992, Itasca County Regional Rail Authority - Construction and Operation Exemption - Itasca County, Minnesota; Waiver of Six-Month Prefiling Notice

Dear Mr. Heffner:

Pursuant to 49 CFR 1105.10(c), we are granting your request of January 30, 2007, for waiver of the six-month prefiling notice generally required for construction projects under 49 CFR 1105.10 (a)(1).

The Surface Transportation Board's Section of Environmental Analysis (SEA) has met and consulted with Itasca County Regional Rail Authority (Itasca Rail) representatives regarding the proposed environmental impacts associated with the construction and operation of a new rail line in Itasca County, Minnesota. At a meeting on August 17, 2006, Itasca Rail's representatives provided SEA with an overview of the project. Additionally, in a letter dated January 30, 2007, you supplied additional information on behalf of Itasca Rail regarding the proposed project and its potential environmental consequences.

Itasca Rail 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. Itasca County is a rural, economically depressed area in the "iron range" area of northern Minnesota. Itasca County's principal economic activity consists of logging, iron mining, farming, and tourism. Itasca Rail proposes to construct a rail line of approximately nine miles in length to serve a new mill which Minnesota Steel Industries, LLC, (Minnesota Steel) intends to build at Nashwauk, Minnesota. The proposed rail line would handle inbound raw materials and outbound steel products, connecting to an existing rail line at a point near Taconite, Minnesota. Minnesota Steel is a newly established company that is in the process of designing a steel facility to be located and built at the end of the line at Nashwauk adjacent to a supply of taconite ore. The proposed rail line would be used to import miscellaneous chemicals used in the manufacturing process and to handle outbound steel slabs and taconite pellets. Minnesota Steel's

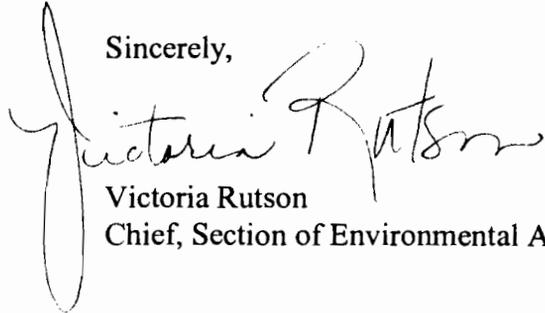
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facility is currently the subject of a draft environmental impact statement. Construction of the facility is anticipated to begin around July 2007 with completion of the facility projected for early 2009.

The preceding information provided by Itasca Rail, and the fact that members of SEA have explained in detail the Surface Transportation Board's environmental review process to Itasca Rail's representatives, lead SEA to believe that it has adequate information, and that Itasca Rail is sufficiently aware of the environmental review process, to grant this request.

If we can be of further assistance, please contact me or Kenneth Blodgett of my staff at (202) 565-1554.

Sincerely,

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

Victoria Rutson
Chief, Section of Environmental Analysis