



SURFACE TRANSPORTATION BOARD
Washington, DC 20423

Office of Economics, Environmental Analysis and Administration

September 6, 2007

Mr. John D. Heffner, PLLC
1750 K Street, N.W.
Suite 350
Washington, DC 20006

Re: Finance Docket No. 34992, Itasca County Regional Rail Authority - Construction and Operation Exemption - Itasca County, Minnesota; Grant of EIS Waiver Request

Dear Mr. Heffner:

Pursuant to 49 CFR 1105.6(d), the Surface Transportation Board's (Board) Section of Environmental Analysis (SEA) is granting your request of August 24, 2007, for a waiver of 49 CFR 1105.6(a), which generally provides for the preparation of an Environmental Impact Statement (EIS) for a rail line construction and operation proposal. SEA is granting the requested waiver based on available information gathered to date, including materials filed by the applicant, SEA's consultation with Federal, state and local agencies, and a site visit on July 12, 2007, to the project area.

By petition filed on March 9, 2007, Itasca County Regional Rail Authority (Itasca) seeks an exemption from the Board under 49 U.S.C. 10502 from the prior approval requirements of 49 U.S.C. 10901 for authority to construct and operate a rail line in Itasca County, Arizona. The proposed line would extend approximately nine miles, starting at the connection with an existing railroad line at Taconite and continuing to the site of a new steel mill to be built by Minnesota Steel Industries, LLC (Minnesota Steel) at the end of the line at Nashwauk. Principal commodities to be handled include miscellaneous chemicals, outbound steel slabs, and taconite pellets. The proposed rail line would initially serve the Minnesota Steel facility, but would handle any additional traffic that future customers that may locate along the right-of-way generate.

Based on the information available to date, we believe that the proposed action would not result in significant environmental impacts and that any impacts could most likely be addressed through appropriate mitigation measures. Therefore, for the reasons listed below, SEA believes

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that the preparation of an Environmental Assessment (EA) is the appropriate level of environmental documentation.

- The proposed alignment would not cross any public roads, and would only have 5 private road crossings. The area is not heavily populated, and therefore safety impacts are not expected to be significant.
- There would be no diversion of existing freight traffic to or from other transportation systems or modes. The one daily roundtrip operated over the proposed line represents entirely new traffic, all of which would otherwise move by highway. Highway 169 and 65, principal area highways, do not have the capacity to handle the additional truck traffic that Minnesota Steel will generate.
- The proposed action is not expected to adversely affect or conflict with existing land use plans. Much of the area that would be affected by the proposed action is woodland, with between 100 and 120 acres of land required for the right-of-way.
- Only a modest net increase in energy use for train operations is anticipated based on an average of one roundtrip per day, seven days per week. It is estimated that 350 trains would operate over the proposed line each year.
- Any natural gas or petroleum pipelines or major transmission lines crossed by the rail line would be protected using a combination of land bridges, encasements and relocations in accordance with established industry standards.
- No significant impact to local or regional air quality is expected. Itasca County is currently in attainment for national ambient air quality standards under the Clean Air Act.
- There does not appear to be any sensitive noise receptors located in areas immediately adjacent to the proposed rail line.
- SEA is coordinating with the U.S. Army Corps of Engineers (Corps) to address jurisdictional issues and/or Clean Water Act permit requirements. Itasca will pursue and secure any necessary permits required by the Corps. Based on preliminary field surveys and review of National Wetland Inventory maps, it does not appear that the proposed action would have a lasting, adverse impact on surface or groundwater resources within the affected region.
- There are no wildlife sanctuaries, refuges, or national or state parks or forests that would be affected by the proposed action. One Federally-listed and three state-listed endangered or threatened species are known to occur in habitats similar to those found along Itasca's proposed rail alignment. The area is not a designated critical habitat for any wildlife species. To the extent that any sensitive species

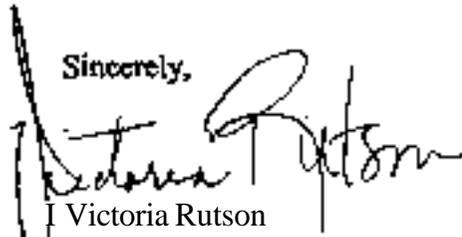
would be adversely affected by the proposed action, mitigation measures will be developed in coordination with the U.S. Fish and Wildlife Service and the Minnesota Department of Natural Resources.

- A review of site files of the Minnesota State Historic Preservation Office (MN SHPO) indicates that no known historic or archaeological sites occur along or in the vicinity of the proposed rail alignment. The project area has been extensively disturbed previously due to extensive mining and logging activities. No historic structures or other potential historic or archaeological resources were observed during site visits. SEA will consult with the SHPO to seek concurrence on appropriate measures to avoid or minimize potential impacts to any cultural resources that may be discovered during project construction.

After the EA is prepared, SEA will make the document available for public review and comment. Once the comment period concludes, SEA will prepare a Post EA discussing the comments received and including any additional analysis or appropriate modifications to its existing analysis. The Post EA will also set forth SEA's final recommended mitigation measures for the Board. The Board will then consider the EA, the public comments, and SEA's Post EA recommendations before making its final decision in this proceeding.

Please be aware that should the environmental process disclose unanticipated impacts that are significant, we will require the preparation of an EIS at that time. If you have any questions, please do not hesitate to contact me or Kenneth Blodgett of my staff at (202) 245-0305.

Sincerely,

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

Victoria Rutson

v Chief, Section of Environmental Analysis