



## Expansion of Seward Loading Facility Stockpile Area Frequently Asked Questions and Answers

**Q. What is the scope of the project?**

A. The project involves expanding the Seward Loading Facility (SLF), the only tide water coal loading facility in Alaska, by increasing its stockpile area to the north. An approximately 6-acre area, including a small man-made pond, would be filled.

**Q. Why is the railroad proposing this project?**

A. The purpose is to provide additional storage space to accommodate an increase in demand for Alaskan coal and to ensure sufficient coal is available when ships are ready to be loaded. Currently, the facility's limited storage area is not able to meet unscheduled spot market demand, resulting in lost coal sales opportunities. Additional detail is provided below:

Currently, coal ships hold 60,000 to 90,000 tons of coal, so at least that much must be available in the stockpile. Since each coal train holds about 7,500 tons, it takes 9 to 12 trains to haul the amount a ship can hold. One train can make two to three trips from Healy per week, so it takes about a month to haul sufficient coal to load a ship. There are three considerations in wanting to increase the stockpile area:

1. Increasing the stockpile size would add flexibility to both train and ship operations. Ships can come in with less time between them, and trains can haul on an optimum schedule, instead of being driven to closely match ship schedules. Our ability to be flexible is a requirement of the end user in Korea. They want to be able to schedule ships at relatively short notice and unless the stockpile is large enough, we may not be able to perform.
2. Our fleet of hopper cars serves two purposes in the summer. We move a large volume of gravel using the same equipment used for coal. The stockpile allows us to respond to the gravel market without foregoing revenue to move coal, and vice versa. It allows the railroad to meet both requirements by ensuring that the inventory in Seward is large enough to provide time to respond instead of instantly changing from gravel service to coal when a new shipment is scheduled. The cost of keeping leased hopper cars around just for summer coal movements is prohibitive.
3. We are trying to find a way to load larger ships than those currently employed in this service. Larger ships result in a lower cost-per-ton which would improve the marketability of Alaska coal. Larger ships would also require more coal stockpiled on the ground.

NOTE: The railroad is in the midst of negotiations with the Korean end-user. We expect to be finished within the next two weeks.

The filled area would also be used to stage equipment, stockpile other materials, and support rail yard activities. This would allow full utilization of the area during times when the demand for coal is low and additional coal stockpile area is not needed.

**Q. What are the economic and public benefits of the project?**

A. Since its construction in the 1980s, the SLF has provided economic and public benefits to the local community, ARRC, and the State of Alaska. In 2003, the federal government made a large investment in the SLF when a \$9.5 million grant from the Federal Railroad Administration funded ARRC's purchase of the facility from Hyundai Merchant Marine and the Alaska Industrial Development and Export Authority. The acquisition essentially revived the export of coal from Alaska to South Korea by eliminating the loan payments, thereby decreasing the price of Alaska coal so that it could compete against coal exporters from Australia, China, South Africa and Canada. The FRA grant continues to fund certain improvements and upgrades that will make the SLF more efficient, and help make Alaska's coal more competitive in the world coal market.

In addition, ARRC recently identified a need to expand the stockpile area to accommodate an increase in spot market demand and ensure sufficient coal is available when ships arriving on short notice are ready to be loaded. Although temporary construction-related economic benefits to the community would be negligible, long-term economic benefits could be substantial. The project would enhance ARRC's ability to continue to meet its customers' needs. Failure to meet those needs could result in loss of customers as they find sources for their coal that are more readily available. Without sufficient customers to keep operations economical, the SLF might close, resulting in the loss of up to 12 jobs in Seward and more in Healy.

**Q. What alternatives to the project have been considered?**

A. ARRC considered two alternatives to the project. Use of upland areas east of the track is not feasible because it is not close enough to the operations. The area used to expand the coal stockpile must be located close to and on the same side of the tracks as the existing coal unloading and loading infrastructure. The pond/wetland area is the only location close enough to the existing infrastructure to fulfill the purpose and need.

ARRC also considered operational changes (adjusting trains schedules). Trains transport coal to the facility in the winter, but cannot do so during the summer for two primary reasons. First, the passenger train season (mid-May to mid-September) significantly increases the level of train activity on the Seward-to-Anchorage segment, making it impractical to add coal freight trains to the schedule. Secondly, during summer, construction is in full swing and the demand for gravel is very heavy. The railroad operates several gravel trains every day during the summer, dramatically reducing the availability of rail cars designed to carry gravel, coal and similar commodities. In addition to railroad infrastructure limitations, ship schedules are subject to world market forces and cannot be influenced or amended easily from our end.

**Q. Has filling the pond been previously considered and authorized?**

A. Yes. Filling the project area was first authorized by a Department of the Army Permit issued to the ARRC in 1983 for the construction of the SLF (previously referred to as the Seward Coal Facility). The entire area originally permitted was not filled at the time of facility construction.

The fill area, which is within the limits of the work authorized in 1983, was also recently authorized (summer 2005) by a Department of the Army Permit and an Alaska Department of Natural Resources (ADNR) Fish Habitat Permit, and was found consistent with the Alaska Coastal Management Program (ACMP). In addition, ARRC received a Certificate of Reasonable Assurance issued by the Alaska Department of Environmental Conservation (ADEC) in accordance with Section 401 of the Federal Clean Water Act.

**Q. Why is the railroad trying to change the permit?**

A. After receiving the most recent project permits, ARRC realized that the intended use of the fill area as originally proposed was too restrictive. The existing Consistency Determination issued for the project states that if any changes to the approved project are proposed, including its intended use, the ADNR – Office of Project Management and Permitting (OPMP) must be contacted to determine if

further review is necessary. Therefore, ARRC submitted a revised project description to expand site use to include other railroad related activities, such as storage space, stockpiling and staging equipment and materials, and other general use associated with railroad yard activities. All other aspects of the previously approved project remain the same. Utilizing this area for other railroad related activities may reduce the need for ARRC to pursue development of other wetland areas in the ARRC Seward Reserve. The request to change the permit is currently under review.

**Q. What measures is ARRC taking to address air quality concerns associated with coal dust and compliance with the Clean Air Act?**

A. Over the years, ARRC is aware of only a few complaints about coal dust and concerns about air quality. The SLF operations are in compliance with the Clean Air Act (CAA). The SLF has also operated for many years in accordance with an air quality permit, and implements measures to mitigate impacts, as described below.

Until early 2005, the SLF operated under an ADEC Air Quality Operating Permit (No. 510TVP01), and complied with permit requirements. In October 2004, EPA determined that the SLF is not subject to the New Source Performance Standards for Coal Preparation Plants. As a result of this finding and changes in the State's Air Quality Regulations (18 AAC 50), ADEC rescinded the permit, because it was no longer applicable.

Although EPA and ADEC have determined that the SLF does not need an air quality operating permit, ARRC recognizes that dust of any type can be a nuisance, and therefore, continues to implement mitigation measures to lower dust levels to the extent possible. The SLF has a dust (particulate) control system consisting of water spray bars at key locations. Water is sprayed on the surface of the coal along the conveyor belts ahead of conveyor-to-conveyor transfer points. There is also a spray bar at the end of the stacker-reclaimer with a multi-directional cone spray nozzle.

Dust control for the stockpile consists of a wheel-mounted spray bar, which is towed along the stockpile and connected to various spigots along the pile. This wheeled cart is also used during bulldozer operations to control dust in the stockpile. Similar dust control measures, as necessary, would also be implemented in the expanded stockpile area. Although water is an effective dust-control tool, the railroad needs to avoid over watering. One reason is that too much water can affect the marketability of the coal – absorbed water makes the coal heavier, and buyers don't want to pay for water weight. In addition, too much water can actually result in spontaneous combustion.

In addition to water-based dust control, recent improvements to the SLF include directional chutes, often referred to as "dustless" chutes, to transfer coal and other material. These chutes reduce turbulence, thereby reducing dust generation and spillage, and improve the effectiveness of the suppression/collection systems. Also, recent improvements to the SLF have reduced the operating time to load each ship. This decreases material handling time, resulting in an overall decrease in the amount of dust generated.

These mitigation measures and recent improvements are consistent with the requirements of 18 AAC 50.045(d), Prohibitions: "A person who causes or permits bulk materials to be handled, transported, or stored, or who engages in an industrial activity or construction project shall take reasonable precautions to prevent particulate matter from being emitted into the ambient air."

**Q. Could the coal dust represent a potential health hazard to local residents?**

A. We do not believe the unconcentrated airborne coal dust represents a potential health hazard. The source of the coal stockpiled in Seward is the Usibelli Coal Mine in Healy, where coal dust levels are substantially higher and workers are exposed to higher levels than residents in Seward. A Usibelli representative confirmed that the mine has had no health related problems with coal dust. Twice a year, the mine receives unannounced inspections by the Mine Safety and Health Administration. As part of these inspections, workers exposed to the highest levels of coal dust (e.g., drillers and stockpile workers) wear monitors for 8 hours to measure their exposure. The monitored levels at Usibelli have never exceeded the Permissible Exposure Limit (PEL) for coal dust. The PEL is the

maximum amount or concentration of a chemical that a worker may be exposed to under Occupational Safety and Health Act (OSHA) regulations.

**Q. Is the dust suppression system working properly?**

A. The coal pile dust suppression watering system works fine. The dust collection system on the ship loader has not always worked reliably, and we are addressing that.

**Q. How does the Railroad manage the stockpile to avoid spontaneous combustion?**

A. The pile is maintained and dressed periodically by a CAT D-9B bulldozer. Its primary purpose is for slope stability and to mix the pile periodically to avoid spontaneous combustion. Spreading the pile out also helps reduce the potential for spontaneous combustion, and the additional area will help in that regard.

**Q. Does coal dust turn into sulfuric acid when mixed with water?**

A. No. When coal is burned, it releases sulfur gas (as sulfur dioxide), which can combine with water in the atmosphere to form sulfuric acid (i.e., acid rain). Coal containing less than one percent sulfur is considered low sulfur coal. The coal from Healy has very low sulfur content (typically less than 0.25 percent). If any sulfur is released by coal dust, the quantity would be extremely small.

**Q. What measures is ARRC taking to ensure compliance with the Clean Water Act?**

A. Coal is a naturally-occurring subsurface material in Alaska, and it is often used in remediation as filter material to remove contaminants from water. A Usibelli representative confirmed that the mine has had no issues with leachate from coal contaminating surface or groundwater, either from the coal seams in situ or at the numerous stockpiles at the mine. Therefore, we anticipate no concerns with leachate from the stockpile in Seward.

In compliance with the Clean Water Act (CWA), the SLF operates under a Storm Water Multi-Sector General Permit (MSGP) for Industrial Activities and has a Storm Water Pollution Prevention Plan (SWPPP) in place for operations. The existing coal stockpile is contained by an earthen berm that prevents any coal in storm water runoff from affecting off-site areas. Instead, storm water runoff from the site is directed to settling ponds, where it is detained long enough for the coal particles to settle out prior to discharge. The existing multi-sector SWPPP will be modified to include the new stockpile area.

Additionally, ARRC will abide by the terms and conditions of the permits and approvals issued for the expansion project. ARRC will prepare a SWPPP and submit a Notice of Intent to operate under EPA's construction general permit. The SWPPP will outline the best management practices to be implemented during construction to minimize the migration of sediments in storm water to surface waters.

**Q. Does the pond provide valuable habitat, and is \$15,000 in compensatory mitigation adequate to replace that habitat?**

A. The ADNR – Office of Habitat Management and Permitting (OHMP) sampled the pond prior to issuing a permit for the project. Only a few small stickleback fish were found. The pond is not used by anadromous fish (fish that are born in fresh water, migrate to the ocean to grow into adults, and then return to fresh water to spawn). The pond is not a sport fishery, and does not provide important fish habitat. Although the pond may support some waterfowl as a temporary resting area, it does not provide valuable habitat due to its location in an industrial area near the Seward Highway.

The \$15,000 mitigation payment (\$2,500/acre) is consistent with compensatory mitigation payments made for other ARRC projects. ARRC believes this amount is appropriate for a man-made pond in an industrial area that does not support anadromous fish. The fee-in-lieu of mitigation, which was accepted by regulatory agencies, will be paid to the Kachemak Bay Heritage Land Trust.

**Q. Why hasn't the Railroad considered the pond as a valuable wildlife viewing area that is easily accessible to people with physical limitations?**

A. The City of Seward, referred to as the "Gateway to Kenai Fjords National Park," is in an extraordinarily beautiful setting. The city has abundant resources with aesthetic value that are easily accessible to the public, including residents and visitors with physical limitations. The pond, in ARRC's Seward Reserve, between the Seward Highway and the rail yard, has lower aesthetic value than other wetlands and coastal areas in Seward. For safety reasons, most areas of the rail yard are not, and should not, be used by the general public.

**Q. Is the project consistent with the Seward Highway's designation as a National Scenic Byway and an All-American Road?**

A. Yes. Like the State of Alaska, the City of Seward, and the local community, ARRC is proud of the designation of the Seward Highway as both a National Scenic Byway and an All American Road. These designations are based on the highway's archeological, cultural, historic, natural, recreational, and/or scenic qualities. However, these designations were never intended to prevent new development along the highway. Although haphazard development could affect the beauty and aesthetics of the highway, industrial development in an area zoned for industrial use does not constitute haphazard development. In Seward, the majority of the highway is located in ARRC's right-of-way under a permit with ARRC. Use of an area zoned for industrial use for industrial purposes is consistent with the with the Seward Highway's designation as a National Scenic Byway and an All American Road.

**Q. Why was there no public process for this project?**

A. ARRC tries to be a good neighbor, and has previously notified and updated local officials in both Seward and the Kenai Peninsula Borough of many proposed ARRC activities and projects in Seward. This has been accomplished with both letters and meetings, including our annual open houses. The Seward Loading Facility has been the subject of an Environmental Assessment, several open house events and public meetings. Many of the issues recently raised through the permit process have been addressed through these public forums.

It is true that the Alaska Railroad did not conduct a separate, additional public forum specifically for this project. We believed that adequate information about the project would be available to local officials and the public during the required permitting processes. Both the U.S. Army Corps of Engineers and the ADNR – OPMP have public review processes that they follow prior to issuing a permit/determination. Concerns about these state and federal review processes are best addressed by the permitting agencies. Please note that local agencies did have information about the project. ARRC was contacted by representatives with the City of Seward and the Seward/Bear Creek Flood Service Area, and provided the additional information they requested.

*To provide public comments on this project or others, send, email or fax comments to:*

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