



Seward Coal Loading Facility

FACILITY FACTS

02/17/2010

Facility Scope

The Seward Coal Loading Facility (SCLF) is located in Seward, Alaska, at the southern terminus of the Alaska Railroad (ARRC). The 25-year-old facility is located on ARRC land. Its primary purpose is to unload coal from railcars, convey the coal to storage, reclaim coal from storage, and load coal into bulk ships. The loading facility consists of the following major components (*see drawing on page 2*):

- **Railcar dumper facility**, with a pit and unloaders to discharge coal from hopper cars;
- **Conveying systems** to move coal from the railcar dumper to ships or the stockpile and to move coal from the stacker-reclaimer through a sampling station and onto the ship loader;
- **Stacker-reclaimer** distributes coal from the conveyor to the stockpile and, in turn, reclaims the coal from the stockpile for ship loading;
- **Stationary ship loader** with a conveyor system for discharging coal into the holds of oceangoing bulk carriers; and
- **Two-story office/control building**, a **shop building**, and a **crew breakroom**.

Coal Facility Operations:

- Average size of coal pile: 90,000 to 95,000 tons
- Capacity of typical coal ship: 45,000 to 75,000 tons
- Trainloads to fill a ship: Each train carries about 6,350 tons, so it takes about 11 trainloads to fill a ship
- Coal Train Activity: Up to 5 trains per week



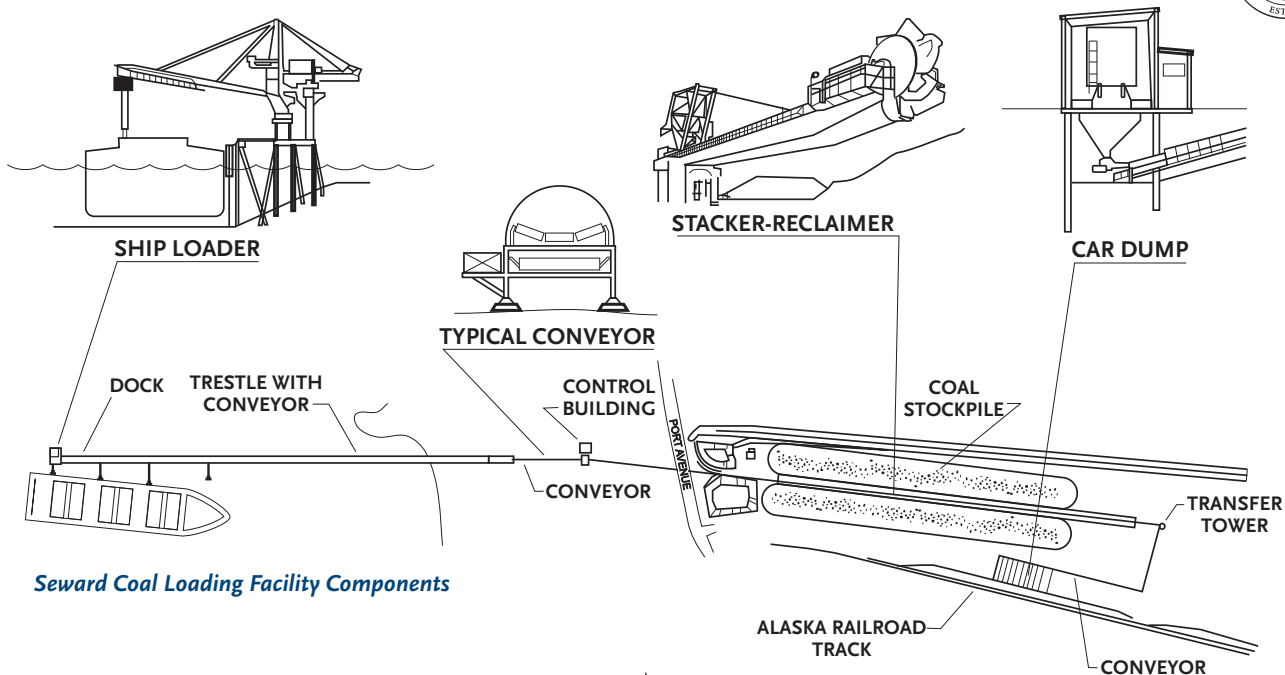
A coal ship loads at the facility's conveyor-fed dock.

Economic Impact

Community/State Support of Economic Benefit

The SCLF was originally built in 1984 as an economic development project of the State of Alaska with encouragement and political support from the City of Seward and Usibelli Coal Mine. The State was eager to enter into the business of export coal and saw this as an opportunity to engage in the world coal market.

Export coal contracts continued until the early 2000s, when the Korean market declined substantially and nearly disappeared. Depressed coal prices, led by cheap exports from Indonesia, made the cost of Alaska coal too high compared to competing exporters from Indonesia, Australia, China, South Africa and Canada. At the urging of the Seward community and Senator Ted Stevens, the Alaska Railroad received a federal grant to purchase the facility in 2003. This effectively eliminated the loan burden, and subsequent improvements enhanced facility efficiency. These factors drove down the cost of operation, thus making Alaska's coal more competitive in the global coal market. Essentially, this preserved the export coal business in Alaska.



Seward Coal Loading Facility Components

Current Economic Activity

Today, the SCLF remains the only facility available to accommodate export of Usibelli’s coal. Recent coal shipments have been destined for Chile, Japan and Korea. Coal-hauling revenues help ARRC recover some of the costs of maintaining the mainline track between Anchorage and Seward.

2009 was a record year for coal exports; 12 ships were loaded with about 800,000 tons. The railroad operated 133 export coal trains to Seward in 2009 to meet the demand. This compares to 75 coal trains in 2008. For 2010, 12 ships are currently scheduled and tonnage is expected to be similar to 2009.

Employment Impact

The SCLF operation currently provides good-paying jobs to more than 100 Alaskans. Sixteen full-time Aurora Energy Services employees work at the Seward facility and the Alaska Railroad attributes 53 jobs to coal export activity. The export coal mining effort in Healy accounts for about 40 jobs.

Owners & Operators

In the early 1980s, Suneel Alaska Corporation, — the purchaser of the coal for the Korean domestic market — negotiated with the State of Alaska for construction of the coal dock and a loan from the Alaska Industrial Development and Export Authority (AIDEA). The Alaska Department of Transportation & Public Facilities (ADOT/PF) built the dock and

Suneel installed the conveyor and loading systems. The Alaska Railroad’s participation was limited to leasing its waterfront property for the facility and transporting the coal from Healy to Seward under contract with Suneel.

Hyundai Merchant Marine (HMM) succeeded Suneel as the coal purchaser and owner of the SCLF in the early 1990s. AIDEA became a co-owner in 1995. Hyundai continued to operate the facility throughout the 1990s and into the early 2000s.

After the Alaska Railroad purchased the facility with a federal grant in 2003, HMM remained the operator through a lease agreement with ARRC through the end of 2006. On January 8, 2007, facility management and control reverted to ARRC. At that time, ARRC entered into an agreement with Aurora Energy Services (AES), an affiliate of Usibelli Coal Mine (UCM), to operate and maintain the facility.

Community Issues

Coal Dust

In February 2007, community concerns were raised about coal dust emissions, following unusually dry, cold and windy weather that resulted in coal dust from facility operations. ARRC coordinated with the Alaska Department of Environmental Conservation (ADEC) and modified train unloading and ship loading parameters to mitigate dust.

By March 2007, ARRC formed a Community Task Force. Public task force meetings were conducted in March and April, and have been held periodically since then in 2008 and 2009.

Also in March 2007, ARRC hired industrial facility experts — AMEC and Raring Corp. — to evaluate the SCLF and develop recommendations for future dust control improvements. Many recommendations have been implemented.

ARRC has received two Notices of Violation (NOVs) from ADEC on the subject of coal dust — one in April 2007 and the other in March 2008. ARRC and AES are currently negotiating with ADEC to resolve the NOVs, which were issued under the air quality regulations.

Clean Water Act Law Suit

In December 2009, ARRC and AES were sued under the Federal Water Pollution Control Act (also known as the Clean Water Act) by the Alaska Community Action on Toxics and the Alaska Chapter of the Sierra Club. According to the Sierra Club web site (<http://www.sierraclub.org/coal/>), a major goal of the group is to eliminate coal as an energy source with “Beyond Coal” campaigns in nearly every state, including Alaska. This action is separate from the coal dust NOVs.

Because of the pending lawsuit, it is not appropriate to make any comments on those allegations. However, ARRC and AES have demonstrated a commitment to environmental stewardship since taking over the facility and continue to do so. We take public concerns seriously.

Regulatory Compliance

ARRC and AES have been proactive and conscientious in meeting Environmental Protection Agency (EPA) and ADEC regulations and permit requirements. As facility operator, AES wrote and implemented a Standard Operating Procedure for Dust Control that includes a total unloading/loading operations shutdown in extremely windy conditions. AES also wrote a Storm Water Pollution Prevention Plan (SWPPP) in compliance with the new Multisector General Permit, and is currently updating the Spill Prevention Control and Countermeasure Plan.



The reclaimer collects coal from the stockpile to put on the conveyor.

Investments & Improvements

- In 2003, the Federal Railroad Administration awarded ARRC a \$9.54 million grant, of which \$8.3 million was used to acquire the facility, perform associated due diligence studies, evaluation and inspection.
- The remainder of the federal grant — \$1.24 million — was subsequently used for inspections, repairs and improvements. During 2003-2004, ARRC completed the first phase of mechanical, electrical, structural and dust control improvements. The major initial limitations of the facility were the ship loading circuit rate and the stock piling circuit rate, both resulting in a higher cost of transporting the coal to the ships. Initial repairs enhanced operational efficiency and improved safety.
- In 2005, ARRC proposed to expand the Seward Loading Facility by increasing its stockpile area to the north, and submitted permit applications to fill an approximately six-acre area, including a small man-made pond. The purpose is to provide additional space for storage, stockpiling and staging equipment and materials to improve rail yard operating efficiency and accommodate an increase in demand for Alaskan coal. Permits were issued for the project, and partial construction began in 2008.

- The industrial facility consultants hired in 2007 recommended capital improvements to modernize facility technology. These are estimated to cost several million dollars. Funding may come in phases, as warranted by SCLF operations at a level that can cover operational costs, as well as support capital investments.
- There are no federal or state grants currently in place for the facility. Since 2007, ARRC and AES have spent more than a million dollars on safety, operational and environmental improvements to the facility. Some of the significant environmental upgrades have been:
 - Installed additional dust control spray bars along the conveyor belts and the stacker/reclaimer
 - Sealed openings throughout the system to control dust
 - Ensured reliability of dust control systems during freezing temperatures to include frost-free valve and spray bar replacement, and water pump house and water line insulation and heating
- Replaced the transfer chute on the ship loader to minimize shut downs and incidental spillage
- Added additional scrapers and wipers to the ship loader belts
- Added skirting to numerous locations along the ship loader belt
- Negotiations with ADEC are currently ongoing regarding any additional expenditures to mitigate dust as part of the settlement of alleged air quality violations.
- \$100,000 is budgeted for 2010 to modify a chute and pulleys, in addition to any environmental projects approved by ADEC.

