

January 22, 2013

GPT/BNSF Custer Spur EIS Co-Lead Agencies
c/o CH2M Hill
1100 - 112th Avenue NE Suite 400
Bellevue, WA 98004

RE: Gateway Pacific Terminal Environmental Impact (EIS) Scoping Comments

Dear Co-Leads:

The mission of the Department of Commerce (Commerce) is to grow and improve jobs in Washington. To support that mission the department advocates growth-oriented policies that include efficient and effective regulation and investments in infrastructure. As the state's lead economic development agency, Commerce offers these comments to support the scoping of the environmental analysis of the proposed Gateway Pacific Terminal.

Commerce encourages the lead agencies to scope the analysis so the process is *efficient* in use of time and resources and *effective* in meeting requirements under state and federal law for a full and fair analysis of impacts. We frequently hear complaints from businesses that our regulatory processes on large projects such as this take longer and cost more than necessary to meet the standards in law. However, we also acknowledge that this project is substantially larger in scale and its impacts on the state's transportation system are more extensive than most projects and so its impacts are more complicated to assess. We encourage the lead agency to adopt a schedule that allows for a full analysis of significant impacts but one that also proceeds in a timely fashion and makes every effort to make efficient use of public and private resources.

The project has attracted controversy, in part, because of the proponent's intention to use the Gateway Pacific Terminal to ship coal to Asia. As the home of the state's energy office, Commerce acknowledges the large body of scientific evidence that links greenhouse gas (GHG) emissions from fossil fuels to climate change and rising global temperatures. Moreover, we have supported an array of policies to limit carbon emissions in Washington, the U.S., and the globe. In particular, we have analyzed policies and encouraged efforts to put a price on carbon in Washington, either through a cap-and-trade system or through a carbon tax. The efficient pricing of carbon emissions would help accelerate the transition to a low-carbon economy and give our region the best chance of maintaining the climate and sea levels on which our economy and existing settlement patterns depend.

While Commerce supports policies to put a price on carbon and reduce greenhouse gas emissions, we favor efforts to tackle those issues directly. Regulators increase risk and

uncertainty for project proponents of all types if they allow permitting decisions on individual projects to serve as proxies for bigger debates such as how to best reduce global reliance on fossil fuels. In particular, we recommend that the analysis of this project not establish new precedents under state law that would unduly burden a wide variety of future projects.

As a matter of policy, Commerce favors investments in needed infrastructure to support economic growth within the state. Washington is the state with the highest percent of its workforce tied to exports so Commerce is especially attuned to investments in port facilities that enable the state to sell goods and services to growing global markets. We therefore would typically support investments in terminals like Gateway Pacific that increase the capacity of the state to sell products abroad. This benefit of the project leads us to the first category of impacts that we encourage the lead agencies to consider:

Public Benefits of the Terminal Project

We encourage the lead agencies to gather data that will allow a full-description of the benefits of the project. Therefore, we support an evaluation of:

- Direct, indirect, and induced jobs and income during construction
- Direct, indirect, and induced jobs and income during operations
- Incremental state and local tax revenues during construction
- Incremental state and local tax revenues during operations
- Potential reductions in shipping costs for bulk commodities produced within Washington State due to the added capacity from the project

Public Costs (“Externalities”) of the Project

Along with the benefits of the project, the analysis should also consider the potential public, private, and environmental costs associated with the project. Typically, an EIS will enumerate environmental impacts or what economists call the “externalities” associated with a project of this scale but an EIS will rarely express those impacts in dollar terms as would be done in a typical benefit-cost analysis. We encourage the lead agencies to evaluate and express environmental impacts in dollar terms to the extent that analytic methods will allow it. If that is not possible in the context of the EIS, then perhaps the analysis could enumerate the environmental impacts in a manner that makes it easier for an economist to analyze and assign dollar values for the purposes of estimating net public benefits (or costs) of the project.

We see three categories of externalities that the lead agencies should evaluate:

1. *Environmental impacts along rail lines and their effect on property values and human health.* Coal trains produce noise, vibration and dust in ways that affect people and property in proximity to the rail lines. In addition to estimating decibels, vibration levels, and concentrations of coal dust, we support analyzing how those physical changes influence the values of property close to the rail lines. Estimate of changes in property

values can be produced by appraisers or urban economists using econometric techniques that have been applied in other parts of the country. The scale of any potential changes in property values can guide decision-makers on whether mitigation is needed and, if so, the appropriate level. In addition, these impacts should be analyzed for their effect on human health and the health care system. The costs to be analyzed would include both health care costs and any income losses to households due to illness.

2. *Auto and truck congestion on road and ferry networks.* To the extent that coal trains travel over non-grade separated railroad crossings, they have the potential to delay the trips of auto, bus, pedestrian, bicycle, and truck travelers. This delay is measured in hours but can also be estimated in dollars using the operating costs and value of time for different vehicle types. The Puget Sound Regional Council maintains travel models that can provide information on travel values for vehicle types that could help with this analysis for rail crossing in the Puget Sound region and beyond.
3. *Rail car congestion on rail networks.* The project has the potential to increase the tonnage of rail traffic in the state by 24 percent to 46 percent according to the Washington State Department of Transportation. This level of increase in traffic has the potential to increase congestion and costs along the rail line for other shippers who use the same rail capacity. Products shipped by rail that originate inside the state as well as outside the state may incur increased shipping costs and those increased costs should be considered in the analysis. We also suggest the analysis include examination of any potential impacts on passenger rail services.

Analysis of these broader transportation network effects between the rail and road system should account for planned future uses in the proximity of rail lines. A range of future development projects are planned along rail corridors and the interaction of those projects and coal trains should be analyzed. The potential external costs of the coal trains fall not just on the residential, commercial, and industrial uses in place today but also on those uses planned for the future. Reviewing the permitting pipeline in jurisdictions along the relevant rail corridors should surface any important considerations here.

Impacts to existing and future public infrastructure facilities, utilities, and services should also be considered. In many cases, these facilities, utilities, and services are located on cross railroad right-of-way. Potential impacts to operation, maintenance, and future construction of such needed facilities should be analyzed in the EIS. The capital facility element and utilities element of comprehensive plans of affected local governments are a source of information for identifying those planned future uses.

To the extent that public infrastructure investments must be made at public expense to reduce choke points that enable the terminal project and its trains to operate, then those incremental public costs should be netted out of any increases in state and local tax revenue on the benefits side of the ledger.

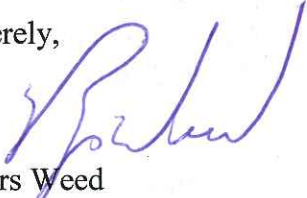
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We appreciate this opportunity to comment on the scope of work and stand ready to engage in the environmental review process as it proceeds.

Sincerely,



Rogers Weed
Director

cc: Daniel Malarkey, Deputy Director, Department of Commerce
Leonard Bauer, Managing Director, Department of Commerce