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SERVICE DATE – LATE RELEASE MAY 25, 2007

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FR-4915-01-P

DEPARTMENT OF TRANSPORTATION

Surface Transportation Board

[STB Finance Docket No. 35024]

Washington State Department of Transportation—Acquisition Exemption—Palouse River and Coulee City Railroad, Inc.

The Washington State Department of Transportation (WSDOT), a noncarrier, has filed a notice of exemption under 49 CFR 1150.31<sup>1</sup> to acquire from Palouse River and Coulee City Railroad, Inc. (PCC), certain physical assets, operating rights, and underlying rights-of-way of eight rail lines (the Lines), totaling approximately 296 miles, in the State of Washington. The Lines are sub-divided into three branches: (1) the CW Branch, between milepost 1.0 at Cheney and milepost 108.81 at Coulee City; (2) the P&L Branch, consisting of (a) the WIM line between milepost 0.0 at Palouse and milepost 3.85 at the Washington-Idaho State line, and (b) the P&L line between milepost 1.0 at Marshall and milepost 75.9 at Pullman; and (3) the PV-Hooper Branch, consisting of (a) the Hooper Jct.-Winona line between milepost 26.6 at Hooper Junction and milepost 52.3 at Winona, (b) the Thornton-Winona line between milepost 0.0 at Winona and milepost 31.7 at Thornton, (c) the Winona-Endicott line between milepost 52.3 at Winona and milepost 57.9 at Endicott, (d) the

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<sup>1</sup> This notice was initially submitted on May 10, 2007, but not docketed until May 21, 2007, when the appropriate filing fee was submitted. Because the notice could not be processed until the Board received the filing fee, May 21 is the official filing date.

Endicott-Colfax line between milepost 57.9 at Endicott and milepost 77.7 at Colfax, and (e) the Colfax-Moscow line (i) between milepost 0.0 at Colfax and milepost 18.7 at Pullman, and (ii) between milepost 75.9 at Pullman and milepost 84.05 at the Washington-Idaho State line.

WSDOT states that it is in the process of formalizing a Purchase and Sale Agreement with PCC, pursuant to which PCC will: (1) convey to WSDOT certain track and track structures and the rights-of-way underlying the involved Lines; (2) continue to operate the CW and P&L Branches through May 31, 2007; and (3) continue to operate the PV-Hooper Branch under its existing 15-year lease with WSDOT.<sup>2</sup> WSDOT will lease the P&L and CW Branches to third party operators under contracts awarded by public bid.<sup>3</sup> WSDOT will not operate the lines, but will retain the residual common carrier obligation should the operators prove unable to

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<sup>2</sup> WSDOT recites that PCC will also retain an “exclusive freight rail easement” to provide service under the lease. However, because WSDOT recites that it will acquire the common carrier obligation for the PV-Hooper Branch, PCC’s interests after this transaction cannot constitute an easement interest and apparently will be in the form of a leasehold only. While the notice filed by WSDOT is somewhat ambiguous, the fact that it asserts it will obtain a common carrier obligation and the fact that it has invoked Board authority to acquire ownership of the Lines indicates that it is acquiring the right to operate over the Lines, and intends to execute leases with other carriers, including PCC, to satisfy WSDOT’s common carrier obligation.

<sup>3</sup> Related notices of exemption have been filed in: (1) STB Finance Docket No. 35028, Washington & Idaho Railway, Inc.—Lease and Operation Exemption—Washington State Department of Transportation, wherein Washington & Idaho Railway, Inc., seeks to operate over the P&L Branch; and (2) STB Finance Docket No. 35029, Eastern Washington Gateway Railroad Company—Lease and Operation Exemption—Washington State Department of Transportation, wherein Eastern Washington Gateway Railroad Company seeks to operate over the CW Branch.

perform. WSDOT is acquiring the Lines in order to preserve freight rail service for the public in Eastern Washington.

WSDOT certifies that the projected revenues as a result of this transaction will not exceed those that would qualify it as a Class III railroad and will not exceed \$5 million.

The earliest this transaction may be consummated is June 20, 2007, the effective date of the exemption (30 days after the exemption was filed).<sup>4</sup>

If the verified notice contains false or misleading information, the exemption is void ab initio. Petitions to revoke the exemption under 49 U.S.C. 10502(d) may be filed at any time. The filing of a petition to revoke will not automatically stay the transaction. Petitions for stay must be filed no later than June 13, 2007, unless the Board grants WSDOT's petition to make the exemption effective sooner, in which case the due date for stays will be established in the Board's decision acting on WSDOT's petition.

An original and 10 copies of all pleadings, referring to STB Finance Docket No. 35024, must be filed with the Surface Transportation Board, 395 E Street, S.W., Washington, DC 20423-0001. In addition, a copy of each pleading must be served on Mark S. Lyon, 7141 Cleanwater Drive, SW, Tumwater, WA 98501-6503.

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<sup>4</sup> On May 21, 2007, WSDOT filed a petition requesting that the Board partially revoke the class exemption as necessary to allow the exemption in this proceeding to become effective on June 1, 2007, rather than on June 20. That request will be addressed in a separate Board decision.

Board decisions and notices are available on our website at

“WWW.STB.DOT.GOV.”

Decided: May 24, 2007.

By the Board, David M. Konschnik, Director, Office of Proceedings.

Vernon A. Williams

Secretary