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SERVICE DATE – APRIL 21, 2011

DO

FR-4915-01-P

DEPARTMENT OF TRANSPORTATION

Surface Transportation Board

[Docket No. FD 35490]

Sierra Northern Railway—Acquisition and Operation Exemption—Union Pacific
Railroad Company

Sierra Northern Railway (SERA), a Class III rail carrier, has filed a verified notice of exemption under 49 C.F.R. § 1150.41 to acquire from Union Pacific Railroad Company (UP), and to operate, pursuant to an Administration, Coordination, and License Agreement (License Agreement) between SERA and the Santa Cruz County Regional Transportation Commission (SCCRTC), a freight operating easement over a portion of a line of railroad known as the Santa Cruz Branch located between milepost 0.433, at the east boundary of Salinas Road, near Watsonville Junction, Cal., and milepost 31.39, near Davenport, Cal., including the interconnection with the Santa Cruz and Big Trees Railroad at milepost 20.4, at Santa Cruz, Cal. The total length of the line is approximately 31.0 miles, and there is an additional 3.6 miles of sidings and spurs.¹

¹ SERA currently operates the line pursuant to a lease agreement with UP authorized in Sierra Northern Railway—Lease and Operation Exemption—Union Pacific Railroad Company, FD 35331 (STB served Dec. 17, 2009). SERA's existing lease with UP will remain in effect in part and be amended in part to account for UP's assignment of its freight operating easement to SERA, the SCCRTC's purchase of the physical assets of the line from UP, the License Agreement between SERA and the SCCRTC, and SERA's retained lease rights over the portion of the Santa Cruz Branch that is not the subject of the freight operating easement and the License Agreement.

SERA states that SCCRTC and UP have entered into a Purchase and Sale Agreement (Purchase Agreement) under which UP will assign its retained freight operating easement to SERA at the closing of UP's sale of the physical assets of the line to SCCRTC. SERA further states that the License Agreement between SERA and SCCRTC will govern SERA's operation of the line following the closing of SCCRTC's purchase of the physical assets of the line from UP. SERA has disclosed that neither the freight rail easement nor the License Agreement contains a provision that may limit future interchange with a third-party connecting carrier.

On April 8, 2011, SCCRTC filed a related petition for a declaratory order in Docket No. FD 35491, Santa Cruz County Regional Transportation Commission—Petition For Declaratory Order. In that proceeding, SCCRTC seeks a determination that it will not become a common carrier as a result of its acquisition of the physical assets of the line pursuant to the Purchase Agreement.²

SERA states that it expects the transaction to be consummated in April 2011, on or shortly after the effective date of this exemption, and after a determination that the SCCRTC will not become a carrier by acquiring the physical assets of the line. However, the earliest this transaction may be consummated is May 5, 2011, the effective date of the exemption (30 days after the notice was filed).

² On April 8, 2011, UP filed a letter of support and a request for expedited review for SERA's notice of exemption filed in Docket No. FD 35490 and SCCRTC's petition for declaratory order filed in Docket No. FD 35491.

SERA certifies that its projected annual revenues as a result of this transaction will not result in SERA becoming a Class II or Class I rail carrier and will not exceed \$5 million annually.

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 effectiveness of the exemption. Petitions to stay must be filed no later than April 28, 2011 (7 days before the exemption becomes effective).

An original and 10 copies of all pleadings, referring to Docket No. FD 35490 must be filed with the Surface Transportation Board, 395 E Street, S.W., Washington, DC 20423-0001. In addition, a copy must be served on David Magaw, President, Sierra Northern Railway, 341 Industrial Way, Woodland, CA 95776.

Board decisions and notices are available on our website at “WWW.STB.DOT.GOV.”

Decided: April 15, 2011.

By the Board, Rachel D. Campbell, Director, Office of Proceedings.