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ATTORNEYS AT LAW

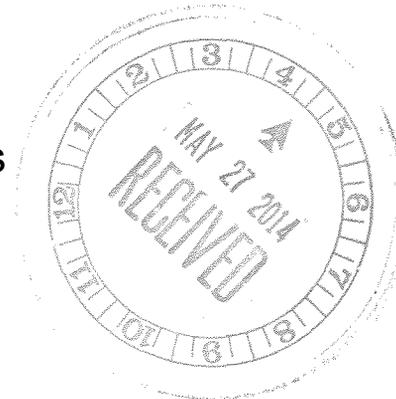
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May 28, 2014

BY HAND

Cynthia T. Brown
Chief, Section of Administration
Office of Proceedings
Surface Transportation Board
395 E. Street, SW
Washington, DC 20423-0001

ENTERED
Office of Proceedings
May 27, 2014
Part of
Public Record



Re: STB Finance Docket No. 35789, Pacific Harbor Line, Inc. -- Lease and Operation Exemption -- Union Pacific Railroad Company

Dear Ms. Brown,

On May 7, 2014, Pacific Harbor Line, Inc. ("PHL") filed a notice of exemption (the "Exemption Filing") in the above-referenced proceeding, which related to a nonexclusive lease of a certain rail line owned by Union Pacific Railroad Company ("UP"). On May 23, 2014, the Surface Transportation Board (the "Board") published notice of the Exemption in the Federal Register ("FR Notice"). Because the FR Notice contains a statement that is potentially confusing and misleading to the public, PHL respectfully requests that the Board publish a clarification in the Federal Register with respect to the Exemption Filing.

In the Exemption Filing, PHL explained that, under its lease with UP, PHL only has the right to operate the subject line for certain limited purposes: "(1) the pick-up and set-out and handling of rail cars being moved in switch service by PHL on behalf of UP, and (2) switching and storage of rail cars (including without limitation spotting and picking up loaded and empty rail cars at customers that can be served from the Subject Line)".

The Exemption Filing clarified that for other rail operations -- *i.e.*, "(a) unit train traffic to and from customers served from the Subject Line, and (b) all traffic to and from the Subject Line that is interchanged with third party railroads in or near the Port of Los Angeles or Port of Long Beach)" -- UP (and not PHL) would continue to be the exclusive provider of that service.

Consistent with this arrangement, PHL, in footnote 3 of the Exemption Filing, explained that "UP's grant of operating rights to PHL excludes *certain types of traffic*, for which UP will retain the exclusive common carrier obligation", and that "[t]here are no provisions that limit interchange with respect to the traffic for which PHL will have a common carrier obligation to handle" (Emphasis added).

The FR Notice states that "[a]ccording to PHL, the agreement between PHL and UP does not contain any provision that may limit future interchange of traffic with any third-party

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connecting carrier." This is a correct statement, as explained by footnote 3. However, the FR Notice then provides that PHL has stated that "under the terms of the lease, UP will retain the *exclusive common carrier obligation to provide service over the line*" (Emphasis added). It is this statement, which is not a part of the Exemption Filing, that is potentially confusing and misleading.

PHL requests that a notice be published in the Federal Register that clarifies: (1) the lease between PHL and UP grants PHL operating rights only for *certain types of traffic*, and PHL is seeking common carrier authority only with respect to the specific traffic identified in its Exemption Filing; (2) UP retains the exclusive common carrier right and obligation to handle *other types of traffic*; and (3) with respect to the operations that PHL will have the common carrier obligation to perform, the lease does not contain an interchange commitment.

Ten copies of this letter are attached for filing in this this proceeding. Please acknowledge receipt of this letter by date-stamping an acknowledgement copy.

Respectfully submitted,


Rose-Michele Nardi