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March 10, 2005

Mr. Vernon A. Williams  
Secretary  
Surface Transportation Board  
1925 K Street NW  
Washington, DC 20423-0001

RE: Finance Docket 30186 (Sub No. 2), Tongue River  
Railroad Co. -- Rail Construction and Operation --  
Ashland to Decker, Montana

Dear Mr. Williams:

I am submitting, on behalf of the Tongue River Railroad Company, an original and ten copies of our four-month progress report for the latest four-month period, pursuant to the Surface Transportation Board's favorable decision served November 8, 1996 in FD 30186 (Sub-No. 2).

Please note that a copy of the four-month report has been served only on the Parties of Record identified in the Surface Transportation Board's complete service list served October 3, 2003 and amended in a notice served by the Surface Transportation Board on October 24, 2003. We will continue to serve the four-month report on these parties.

ENTERED  
Office of Proceedings

MAR 14 2005

Part of  
Public Record

Sincerely,

A handwritten signature in black ink that reads 'Douglas A. Day'.

Douglas A. Day  
Representative for the  
Tongue River Railroad Company

Enc.  
cc: Parties of record

# **TONGUE RIVER RAILROAD COMPANY**

## **Four-Month Report to the Surface Transportation Board**

*March 10, 2005*

### **1. Surface Transportation Board - Regulatory Proceedings**

The Tongue River Railroad Company has before the Surface Transportation Board an application seeking authority to construct and operate a rail line in Rosebud and Big Horn counties, Montana. The application in STB Finance Docket No. 30186 (Sub-No. 3) seeks authority from the Surface Transportation Board ("Board") to construct and operate the "Western Alignment" in Rosebud and Big Horn counties, and proposes adjustments to the alignments previously approved in Tongue River I and Tongue River II. The Western Alignment is proposed as an alternative routing for the southernmost 17.3-mile portion of the 41-mile Ashland to Decker rail line approved by the Surface Transportation Board ("Board") in 1996 ("Tongue River II"). The TRRC application also includes proposals to modify certain portions of the rail line running between Ashland and Miles City, Montana approved by the Interstate Commerce Commission in 1986 ("Tongue River I").

The regulatory process associated with Tongue River Railroad Company, Inc.'s application seeking authority to construct and operate the "Western Alignment" in Rosebud and Big Horn counties, and its proposal to modify limited portions of the approved rail line between Ashland and Miles City, Montana is continuing.

A Draft Supplemental Environmental Impact Statement ("DSEIS") has been prepared by the Board's Section of Environmental Analysis ("SEA") pursuant to the Western Alignment application. The DSEIS was served on parties of record on October 15, 2004. A 45-day public comment period on the DSEIS concluded with comments due on December 6, 2004. In addition to receiving written comments on the DSEIS, SEA hosted two public meetings on November 16 and 17, 2004 in Miles City, MT and Ashland, MT, respectively, to accept written comments or oral comments from the public. Thirteen different individuals presented oral

comments at the Miles City hearing and at the Ashland hearing. Approximately 60 written comments to the DSEIS were submitted to SEA.

## **2. Secondary Approvals**

The environmental review process is being conducted in consultation with three State and federal agencies which have been granted cooperating agency status. The agencies are responsible for granting approvals and easements secondary to the Board's approval of the construction and operation of the Tongue River Railroad. As noted previously the cooperating agencies are the Montana Department of Natural Resources and Conservation, acting as the lead agency for a number of state agencies, the U.S. Department of Interior, Bureau of Land Management, and the U.S. Army Corps of Engineers. The Draft Supplemental EIS includes an environmental review of issues raised by the cooperating agencies in order for those agencies to fulfill their regulatory responsibilities and to avoid duplicative environmental analysis and review.

## **3. Relationship with Burlington Northern Santa Fe**

The Burlington Northern Santa Fe Railway continues to support development of the Tongue River Railroad project. The Burlington Northern Santa Fe and the Tongue River Railroad Company are maintaining communications concerning the project relative to upper Midwest utility market demand, the regulatory review process and status, and the elements of an agreement between the parties.

## **4. Engineering and Design**

Final engineering and design efforts remain on hold pending completion of the STB regulatory proceedings in TRR III. Tongue River Railroad design engineer representatives continue to be available to respond to questions and requests for information posed as a result of the environmental review being conducted by the Board's Section of Environmental Analysis.

## **5. TRRC Ownership Structure**

As previously reported, Tongue River Railroad Company, Inc. is a Delaware corporation whose principal shareholder is Tongue River Railroad Company, a Montana limited partnership. Transportation Properties LLP, a limited liability partnership, is the general partner in Tongue River Railroad Company, while Tongue River Holdings, Inc., a Montana corporation, is the limited partner in Transportation Properties LLP. In early March 2005, GeoRail, Inc. acquired

750 shares of Tongue River Railroad Company, Inc. common stock which constitutes 20% of TRRC, Inc. issued and outstanding common stock. GeoRail, Inc. is owned and controlled by GEO RAIL AND COAL LIMITED, a private limited company located in the United Kingdom. The remaining 80% of TRRC, Inc. issued and outstanding common stock is held by Tongue River Railroad Company.

CERTIFICATE OF SERVICE

I hereby certify that on this 10<sup>th</sup> day of March, 2005, a copy of the foregoing document was served via first class mail, postage prepaid, to the following Parties of Record:

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