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January 3, 2007

Honorable Vernon A. Williams
Secretary
Surface Transportation Board
Washington, DC 20423

Re: Finance Docket No. 33812, *Arizona & California Railroad Company Limited Partnership d/b/a Puget Sound & Pacific Railroad—Modified Rail Certificate*

Dear Secretary Williams:

The Puget Sound & Pacific Railroad Company, successor-in-interest to the Arizona & California Railroad Company Limited Partnership d/b/a Puget Sound & Pacific Railroad ("PSAP") gives notice pursuant to 49 C.F.R. 1150.24 of its intent to terminate service on March 4, 2007.

PSAP entered a Railroad Right of Way Use and Track Agreement dated October 1, 1999 (the "Agreement") with the Port of Chehalis (the "Port"), a municipal corporation of the State of Washington, to operate the line of railroad that had been abandoned pursuant to *Curtis Milburn & Eastern Railroad Company—Abandonment Exemption—in Lewis County, WA*, Docket No. AB-378X (ICC served Jan. 19, 1993), and acquired by the Port. On or about October 18, 1999, PSAP commenced rail operations over 10 miles of the rail line extending from milepost 0.0 in Chehalis to milepost 10.0 in Curtis, in Lewis County, WA (the "Line"), pursuant to *Arizona & California Railroad Company Limited Partnership d/b/a Puget Sound & Pacific Railroad—Modified Rail Certificate*, Finance Docket No. 33812 (STB served October 27, 1999). See Exhibit 1.

PSAP notified the Port on December 19, 2006 that it was terminating operations under the Agreement. See Exhibit 2. No one has used the Line in the last six months, therefore, there are no persons to notify as required by 49 C.F.R. 1150.24(b).

Honorable Vernon A. Williams

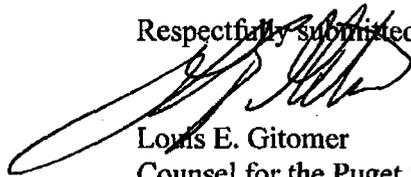
January 3, 2007

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By this letter, PSAP is providing 60 days notice of intent to terminate service on or after March 4, 2007 over the Line. A copy of this letter is being served on the State of Washington and the Port.

This letter is being efiled with the Board. Thank you for your assistance. If you have any questions, please contact me.

Respectfully submitted,



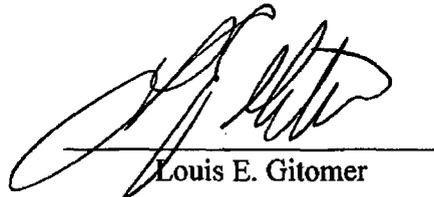
Louis E. Gitomer
Counsel for the Puget Sound & Pacific Railroad
Company

CERTIFICATE OF SERVICE

I hereby certify that on this 3rd day of January 2007, I caused a copy of this letter, to be served by first class mail, postage prepaid on:

Governor Chris Gregoire
Office of the Governor
PO Box 40002
Olympia, WA 98504-0002

Port of Chehalis
222A Downie Road
Chehalis, WA 98532



Louis E. Gitomer

EXHIBIT 1

30583

SERVICE DATE - OCTOBER 27, 1999

DO

FR-4915-00-P

DEPARTMENT OF TRANSPORTATION

Surface Transportation Board

[STB Finance Docket No. 33812]

Arizona & California Railroad Company Limited Partnership d/b/a Puget Sound & Pacific Railroad--Modified Rail Certificate

On October 12, 1999, Arizona & California Railroad Company Limited Partnership (ARZC) d/b/a Puget Sound & Pacific Railroad (PS&P) (collectively, ARZC d/b/a PS&P)¹ filed a notice for a modified certificate of public convenience and necessity under 49 CFR 1150, Subpart C, Modified Certificate of Public Convenience and Necessity, to operate 10 miles of a rail line extending from milepost 0.0 in Chehalis to milepost 10.0 in Curtis, in Lewis County, WA.

An exemption to abandon the line was granted to Curtis Milburn & Eastern Railroad Company (CMER) in Curtis Milburn & Eastern Railroad Company--Abandonment Exemption--In Lewis County, WA, Docket No. AB-378X (ICC served Jan. 19, 1993).² The Port of Chehalis (the Port), a municipal corporation of the State of Washington,

¹ ARZC is an existing Class III rail carrier, and PS&P is an operating division of ARZC.

² Based on CMER's petition for exemption, the decision describes the line as an 11-mile line of railroad between milepost 0.0 at CM&E Junction, WA, and milepost 10.0 near Curtis, WA. According to the instant notice, milepost 0.0 at CM&E Junction and milepost 0.0 in Chehalis refer to the same location. The Railroad Right of Way Use and Track Agreement (the Agreement), attached to the notice as Exhibit A, describes the line as approximately 10 miles of rail line. The mileage discrepancy is not explained, but the line description as a whole is unambiguous.

subsequently acquired the line. On October 1, 1999, ARZC d/b/a PS&P and the Port executed the Agreement, which governs the rail operations to be conducted by ARZC d/b/a PS&P in Lewis County. Rail freight operations over the line were to commence on or after October 18, 1999.

The line's only interline connection is with Tacoma & Eastern Railway Co. (Tacoma), at milepost 0.0 (Tacoma milepost 67.0). ARZC d/b/a PS&P anticipates acquiring reciprocal overhead trackage rights over 1 mile of Tacoma's line so that it can connect with The Burlington Northern and Santa Fe Railroad Company (BNSF)³ in Chehalis.⁴

The rail segment qualifies for a modified certificate of public convenience and necessity. See Common Carrier Status of States, State Agencies and Instrumentalities and Political Subdivisions, Finance Docket No. 28990F (ICC served July 16, 1981).

ARZC d/b/a PS&P indicates that no subsidy is involved and that there are no preconditions for shippers to meet in order to receive rail service.

This notice will be served on the Association of American Railroads (Car Service Division) as agent for all railroads subscribing to the car-service and car-hire agreement: Association of American Railroads, 50 F Street, N.W., Washington, DC 20001; and on the

³ Although the Agreement indicates that ARZC d/b/a PS&P will use these trackage rights to connect with the Union Pacific Railway Company in addition to BNSF, ARZC d/b/a PS&P anticipates that the trackage rights agreement it negotiates with Tacoma will provide ARZC d/b/a PS&P only with access to BNSF.

⁴ Prior to operating over Tacoma's line via the overhead trackage rights, ARZC d/b/a PS&P states that it will obtain any necessary regulatory authority from the Board.

STB Finance Docket No. 33812

**American Short Line and Regional Railroad Association: American Short Line and
Regional Railroad Association, 1120 G Street, N.W., Suite 520, Washington, DC 20005.**

Decided: October 19, 1999

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

Vernon A. Williams

Secretary

EXHIBIT 2



PUGET SOUND & PACIFIC RAILROAD COMPANY

P.O. Box L-2 • Elma, WA • 98541 • Phone: 360.482.4994 • Fax: 360.482.3966

December 19, 2006

PORT OF CHEHALIS
222A Downie Road
Chehalis, WA 98532

Re: Railroad Right Of Way And Track Agreement Termination Notice

To whom it may concern:

Per Article 2.1 (iv) of October 1, 1999 Railroad Right of Way Use and Track Agreement, between Port of Chehalis and Arizona & California Railroad Company Limited Partnership d/b/a Puget Sound and Pacific Railroad Co. (PSAP), is hereby giving sixty (60) days written notice to terminate the above referenced Agreement.

PSAP will mail a notice of intent to terminate service at least sixty (60) days in advance to the STB, the State, and anyone who has used the line within the last six months,

It is our understanding that Chehalis-Centralia Railroad Association (CCRA) desires to continue excursion operations on the line. PSAP's agreement with CCRA has expired and CCRA desires access to property for infrastructure inspection. If inspection were conducted prior to termination PSAP will require a waiver of liability signed by CCRA prior to accessing property.

Regards,

Sandra Franger
VP – Contracts & Interline Agreements
RailAmerica Operations Support Group, Inc.
5300 Broken Sound Blvd.
Boca Raton, FL 33487
561-226-1722
561-994-0396 fax



A RailAmerica Company