

TROUTMAN SANDERS LLP

A T T O R N E Y S A T L A W
A LIMITED LIABILITY PARTNERSHIP

401 9TH STREET, N.W. - SUITE 1000
WASHINGTON, D.C. 20004-2134
www.troutmansanders.com
TELEPHONE: 202-274-2950

Sandra L. Brown
sandra.brown@troutmansanders.com

Direct Dial: 202-274-2959
Fax: 202-654-5603

January 18, 2007

VIA E-FILING

The Honorable Vernon A. Williams
Secretary
Surface Transportation Board
1925 K Street, NW
Room 711
Washington, DC 20423-0001

RE: STB Finance Docket No. 34974, *Keokuk Junction Railway Co. d/b/a Peoria & Western Railway – Lease and Operation Exemption – BNSF Railway Company between Vermont and Farmington, Illinois*

Dear Secretary Williams:

Ameren Energy Fuels and Services Company (“Ameren”) hereby responds to the request for non-binding mediation submitted to the Surface Transportation Board (“STB” or “Board”) by Keokuk Junction Railway Co. d/b/a Peoria & Western Railway (“KJRY”) in the above-captioned docket, on January 12, 2007.

As KJRY acknowledges, Ameren has participated in ongoing settlement discussions with KJRY starting soon after the Lease Transaction was first attempted in Finance Docket No. 34918 in August 2006. Ameren’s overall concern regarding the proposed transaction has been clear from the beginning and at each step in which KJRY released public terms of the actual transaction; Ameren reviewed those terms and continued to attempt to reach an agreement with KJRY. The record in this proceeding is now basically closed and Ameren has to date invested significant time and dollar resources into these proceedings to protect the competitive situation at Ameren’s Duck Creek generating station (“Duck Creek”). Thus, the timing of the mediation request by KJRY is at the back end of a proceeding rather than the front end as contemplated by the Board’s regulations.

Nonetheless, Ameren is amenable to mediation of the relevant issues in this matter subject to the discussion below. Ameren agrees to Board staff, screened from the proceeding, to serve as the mediator for the matter. Ameren does not consent to a non-Board staff mediator since Ameren believes a non-Board staff mediator would be less efficient for the particulars of

The Honorable Vernon A. Williams
January 18, 2007
Page 2

this matter. In addition, Ameren trusts that the mediation will be governed by 49 C.F.R. § 1109.3 and 49 C.F.R. § 1109.4(d) with respect to the confidentiality of the mediation. Furthermore, Ameren's agreement to mediation is subject to the following conditions set forth below:

- (1) The BNSF Railway Company ("BNSF") must agree to participate in the mediation since BNSF is a necessary party to any changes that might be agreed upon for the lease;
- (2) The terms of any settlement agreement between Ameren, KJRY, and BNSF, arising from mediation, must be imposed by the Board, as a condition on any decision authorizing the Lease Transaction, and the Board must retain oversight jurisdiction; and
- (3) The STB authorization of the Lease Transaction must terminate automatically (without further hearing or proceedings) upon any breach of the settlement agreement by KJRY or BNSF.

Ameren submits that the foregoing conditions are warranted for the following reasons: The first condition is necessary because of BNSF's crucial role in the competitive landscape at the Duck Creek station, as an effective alternative to the Union Pacific Railroad / KJRY routing. Further, as a signatory to the lease, BNSF must be a party to any settlement agreement related to the Lease Transaction. The second condition is necessary to ensure that the settlement agreement continues to fulfill its purposes, and to prevent any of the parties from subverting the agreement at some future point. And, the third condition is necessary because it will immediately restore the pre-transaction competitive scenario at Duck Creek, in the event that any party breaches the settlement agreement, and thereby spare Ameren or any other party the burden and expense of re-litigating these issues before the Board again. Ameren submits that all of the foregoing conditions are reasonable and necessary given the nature of this proceeding.

If you have any questions, please do not hesitate to contact me.

Very truly yours,



Sandra L. Brown

cc: All parties of record