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ENTERED
Office of Proceedings
MAY 18 2007
Part of
Public Record

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May 17, 2007

VIA FEDERAL EXPRESS

Mr. Vernon A. Williams
Secretary
Surface Transportation Board
395 E Street, S.W.
Washington, DC 20024

Re: **Finance Docket No. 35029 - 219 333**
Eastern Washington Gateway Railroad Company -
Lease and Operation Exemption - Line of
Washington State Department of Transportation

Finance Docket No. 35030 - 219 334
US Rail Partners, Ltd. - Continuance in Control Exemption -
Eastern Washington Gateway Railroad Company



FEE RECEIVED
MAY 18 2007

**SURFACE
TRANSPORTATION BOARD**

FILED

MAY 18 2007

**SURFACE
TRANSPORTATION BOARD**

Dear Secretary Williams:

Enclosed for filing in the above-captioned proceedings are an original and ten copies of the **Petition to Partially Revoke Class Exemption and Expedite Effective Date**, dated May 17, 2007. Please note that expedited consideration of this Petition is requested.

A check in the amount of \$200, representing what we believe may be the appropriate fee for this filing, is attached. If the Petition is deemed to be a "related filing" to the notices of exemption previously filed by the parties (and for which the required filing fees were paid), such that no additional fee is required, we request that the Board return the check or refund the \$200 fee.

One extra copy of the Petition and this letter also are enclosed. I would request that you date-stamp those items to show receipt of this filing and return them to me in the provided envelope.

FLETCHER & SIPPEL LLC

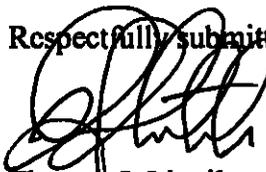
Mr. Vernon A. Williams

May 17, 2007

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If you have any questions regarding this filing, please feel free to contact me.
Thank you for your assistance on this matter.

Respectfully submitted,



Thomas J. Litwiler

Attorney for Eastern Washington Gateway
Railroad Company and US Rail Partners, Ltd.

TJL:tl

Enclosures

cc: Parties on Certificate of Service

ORIGINAL

**BEFORE THE
SURFACE TRANSPORTATION BOARD**

FINANCE DOCKET NO. 35029

**EASTERN WASHINGTON GATEWAY RAILROAD COMPANY
-- LEASE AND OPERATION EXEMPTION --
LINE OF WASHINGTON STATE DEPARTMENT OF TRANSPORTATION**



FINANCE DOCKET NO. 35030

**US RAIL PARTNERS, LTD.
-- CONTINUANCE IN CONTROL EXEMPTION --
EASTERN WASHINGTON GATEWAY RAILROAD COMPANY**

**PETITION TO PARTIALLY REVOKE CLASS
EXEMPTION AND EXPEDITE EFFECTIVE DATE**

EXPEDITED CONSIDERATION REQUESTED

**William C. Sippel
Thomas J. Litwiler
Fletcher & Sippel LLC
29 North Wacker Drive
Suite 920
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(312) 252-1500**

**ATTORNEYS FOR EASTERN WASHINGTON
GATEWAY RAILROAD COMPANY AND
US RAIL PARTNERS, LTD.**

Dated: May 17, 2007

BEFORE THE
SURFACE TRANSPORTATION BOARD

FINANCE DOCKET NO. 35029

219333



FILE RECEIVED
MAY 18 2007
SURFACE
TRANSPORTATION BOARD

EASTERN WASHINGTON GATEWAY RAILROAD COMPANY
-- LEASE AND OPERATION EXEMPTION --
LINE OF WASHINGTON STATE DEPARTMENT OF TRANSPORTATION

FINANCE DOCKET NO. 35030

219334

US RAIL PARTNERS, LTD.
-- CONTINUANCE IN CONTROL EXEMPTION --
EASTERN WASHINGTON GATEWAY RAILROAD COMPANY

ENTERED
Office of Proceedings
MAY 18 2007
Part of
Public Record

**PETITION TO PARTIALLY REVOKE CLASS
EXEMPTION AND EXPEDITE EFFECTIVE DATE**

FILED
MAY 18 2007
SURFACE
TRANSPORTATION BOARD

Eastern Washington Gateway Railroad Company ("EWGR") and US Rail Partners, Ltd. ("USRP") hereby petition the Board pursuant to 49 U.S.C. § 10502(d) to partially revoke the class exemptions at 49 C.F.R. § 1150.31, *et seq.* and 49 C.F.R. § 1180.2(d)(2) as necessary to allow the notices of exemption filed by EWGR and USRP, respectively, under those class exemptions to become effective on June 4, 2007, eleven days earlier than otherwise provided by rule. An expedited effective date will avoid a gap in critical rail service on an 108-mile branch line in the State of Washington that is being purchased from its current short-line owner by the Washington State Department of Transportation ("WSDOT"). WSDOT is filing a companion petition in Finance Docket No. 35024 seeking a similar expedited effective date for its notice of exemption to acquire the line.

On May 16, 2007, EWGR filed in Finance Docket No. 35029 a notice of exemption pursuant to 49 C.F.R. § 1150.32 to lease and operate a line of railroad from Chency to Coulee City, Washington, a distance of approximately 107.8 miles (the "CW Line"). On the

same day, USRP, EWGR's parent, filed in Finance Docket No. 35030 a notice of exemption pursuant to 49 C.F.R. § 1180.2(d)(2) to control EWGR and another existing rail carrier owned by USRP. Under the Board's recent decision in Public Participation in Class Exemption Proceedings, Ex Parte No. 659 (STB served October 19, 2006) ("Public Participation"), those exemptions will become effective on June 15, 2007, thirty days after filing. See 49 C.F.R. § 1150.32(b); 49 C.F.R. § 1180.4(g)(1).

The lease of the CW Line to EWGR culminates a long-standing effort by WSDOT to acquire and preserve rail service on the line. See Exhibit A (WSDOT December, 2006 quarterly report on CW Line project, reviewing developments since initial legislative action on project in 2004). The CW Line has been the subject of surcharges, embargoes and a prior complaint proceeding at the STB, see State of Washington v. Palouse River and Coulee City Railroad, Inc., Finance Docket No. 34892 (STB served August 24, 2006), and the current transactions will help assure the availability of adequate rail transportation for the agricultural shippers and communities on the line in the future. WSDOT has entered into a purchase agreement with the CW Line's current owner, the Palouse River and Coulee City Railroad, Inc. ("PCC"), and has filed its own notice of exemption under 49 C.F.R. § 1150.32 to acquire the line from PCC. See Finance Docket No. 35024, Washington State Department of Transportation -- Acquisition Exemption -- Palouse River and Coulee City Railroad, Inc.¹

WSDOT has advised EWGR that PCC will cease providing rail service on the CW Line as of June 1, 2007. EWGR believes it can be prepared to commence operations on the line on Monday, June 4th, which would limit any service interruption to a weekend. Because EWGR's and USRP's notices of exemption would not otherwise be effective until June 15th,

¹ WSDOT will acquire a residual common carrier obligation on the CW Line, and is not seeking a finding under Maine DOT -- Acq. Exempt. -- Maine Central R. Co., 8 I.C.C.2d 835 (1991) that its acquisition of the CW Line is outside the Board's jurisdiction.

however, shippers face a two-week gap in service unless the effective dates for those notices of exemption (and the notice filed by WSDOT in Finance Docket No. 35024) are expedited. EWGR and USRP thus request partial revocation of the class exemptions invoked by their notices to allow an eleven-day reduction of the effectiveness period, from thirty to nineteen days.

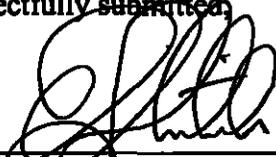
Prior to the Board's action in Public Participation, the notices of exemption filed by both EWGR and USRP would have been effective in seven days. The expedited effective date sought in this petition will still provide nearly three times the notice of the old rules. As indicated above, the state's plans for the CW Line are long-standing and widely known, and a press release announcing EWGR's selection as the CW Line operator was issued by WSDOT on May 4, 2007. See Exhibit B. WSDOT has indicated that PCC has no objection to a shortened effective date for the EWGR and USRP notices of exemption. EWGR and USRP are aware of no party that would oppose or seek to stay the transactions, which are essential for the continuation of rail service on the line. EWGR anticipates offering positions to the current PCC engineer, conductor and track inspector on the CW Line, and to EWGR's knowledge those employees are not represented by any labor union. And while adequate notice to state governmental entities has frequently been a focus of line-sale class exemptions, here it is the state itself which is initiating the transactions. Cf. Class Exemption -- Acq. & Oper. of R. Lines Under 49 U.S.C. 10901, 1 I.C.C.2d 810, 816 (1985), aff'd sub nom. Illinois Commerce Comm'n v. ICC, 817 F.2d 145 (D.C. Cir. 1987).

EWGR and USRP are serving this petition on WSDOT, PCC, BNSF Railway Company (the interchanging rail carrier at Cheney) and all known shippers on the CW Line. Even with an eleven-day shortening of the otherwise applicable effectiveness period, all interested parties will have adequate notice of the proposed transactions.

In appropriate circumstances, this agency has previously granted similar requests to shorten the effectiveness date of notices of exemption for branch-line transactions. Ohio & Pennsylvania Railroad Company -- Lease and Operation Exemption -- P&LE Properties, Inc., Finance Docket No. 32711 (ICC served June 23, 1995).² Given the unique circumstances involving the CW Line, the need to avoid a gap in rail service, and the widespread actual notice already provided about the proposed transactions, expediting the effective date for the EWGR and USRP notices of exemption is warranted here as well.

WHEREFORE, EWGR and USRP respectfully request that the Board partially revoke the class exemptions at 49 C.F.R. § 1150.31, et seq. and 49 C.F.R. § 1180.2(d)(2) invoked by EWGR and URSP, respectively, in Finance Docket Nos. 35029 and 35030, and allow the notices of exemption filed by EWGR and USRP in those dockets to become effective on June 4, 2007.

Respectfully submitted,

By: 

William C. Sippel
Thomas J. Litwiler
Fletcher & Sippel LLC
29 North Wacker Drive
Suite 920
Chicago, Illinois 60606-2832
(312) 252-1500

**ATTORNEYS FOR EASTERN WASHINGTON
GATEWAY RAILROAD COMPANY AND
US RAIL PARTNERS, LTD.**

Dated: May 17, 2007

² In Ohio & Pennsylvania, the Interstate Commerce Commission granted the requested relief through a "waiver" of the "7-day pre-effectiveness requirement," rather than by a partial revocation of the relevant class exemption. EWGR and USRP are of course agreeable to the use of either process here.



Quarterly Project Report Update for Quarter Ending December 2006

EXHIBIT A

Project Title & Location Palouse River & Coulee City RR Acquisition -- Grant, Lincoln, Spokane, Whitman, & Adams Counties	Project Description Purchase 296-mile Palouse River and Coulee City RR, preserving the state's largest grain-hauling system, which impacts 1,450 existing and 150 potential jobs. Also, keeps over 28,000 heavy truck loads per year off state highways.
Contractor/Consultant Watco Transportation Services Inc. d/b/a/ Palouse River and Coulee City Railroad (PCC), Rosalia, WA	

Recent Progress

The 2004 Legislature appropriated funds to purchase the CW branch of the PCC that is owned by Watco Companies, Inc. In September 2005, the owner withdrew the property from the sale, claiming that the scrap value of the railroad had increased substantially.

Negotiations have resulted in resumed interim operations on the CW line until June 2007. The due date for completing a Memorandum of Understanding with Watco was October 31, 2006. This date was not met due to difficulty in identifying and classifying the real estate properties associated with the sale. All other elements of the pending MOU have been established and we are now anticipating that the real estate element will be resolved in January 2007. Due to the increased cost of acquisition and interim operations of the PCC, the amount of funding available for the rehabilitation of the system may be no longer sufficient to complete the project as originally scoped. The rehabilitation plan will need to be reviewed to make appropriate adjustments to stay within the original budget.

Design Construction Impacts
Implementation of an operating agreement subsequent to the purchase of the right of way

Environmental Impacts / Compliance As the railroad is already in operation, no environmental compliance is required.	Impacts to Traffic Purchase of the railroad will ensure continued availability of lower cost local rail service in eastern Washington.
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Project Milestones	Scheduled	Attained	Milestone Outlook
Phase 1 Purchase Complete	Jun 2004	Nov 2004	
Phase 2 Purchase Complete	Aug 2005		Date was not met due to negotiation-related delays

Project Cost Summary:	Dollars in millions	Percent of Total	Planned vs. Actual Expenditures (Total Project Cost) --- Planned --- Revised Plan — Actual
Preliminary Engineering			
Right-of-Way			
Construction	\$28.11	100%	
Funded Project Costs	\$28.11	100%	
Nickel funds included in above costs	\$28.11	100%	
2005 Transportation Partnership Account			

For more information, go to www.wsdot.wa.gov/projects

Mike Rowsell, Freight Project Manager, 360-705-7930, Email Rowswm@wsdot.wa.gov, or Scott Witt, WSDOT Freight Strategy & Policy Office, 360-705-6903, E-mail WittS@wsdot.wa.gov

WSDOT News

WSDOT Selects Operators for Eastern Washington Railroad

Local Information

- [Transit](#)
- [State Airports](#)
- [Special Needs Transportation](#)
- [Transportation Demand Management](#)
- [Agency Council on Coordinated Transportation](#)

Date: Friday, May 04, 2007

Contact: Mike Rowswell, WSDOT, (360) 705-7930, RowsweM@wsdot.wa.gov

Scott Witt, WSDOT, (360) 705-6903, WittS@wsdot.wa.gov

OLYMPIA – The Washington State Department of Transportation (WSDOT) selected JS Rail Partners Ltd. and the Washington and Idaho Railway Inc. as the operators of two branches of the Palouse River Coulee City (PCC) railroad.

The PCC is a 300-mile freight rail system, the second largest system in the state providing local service to over 70 rail-dependent companies and serving hundreds of eastern Washington farmers. The three branches of the railroad are: the PV Hooper line from Hooper to Thornton and Pullman; the CW line from Coulee City to Cheney and Spokane; and the P&L line from Marshall to Pullman.

The state of Washington expects to finalize the purchase of the railroad from Watco later this month. The state's ownership of the PCC railroad will provide a unique opportunity to create a viable, competitive railroad system that will serve Washington farmers and manufacturers for year to come. As part of the agreement, Watco will continue to operate the PV Hooper line, but will no longer operate the other two branches after May 31.

WSDOT will oversee operations of the PCC freight railroad starting June 1. To ensure continued operations, WSDOT solicited proposals in March from qualified companies to operate and maintain the CW and P&L lines. WSDOT evaluated proposals from seven companies competing for one or both of the branch lines.

US Rail Partners Ltd., headquartered in Illinois, was selected to operate the CW Line under the name of Eastern Washington Gateway Railroad. The operator will work with its affiliates on the new service for locomotive and railcar leasing, sales, track maintenance, and rail to truck transloading. "A team of business development and operating staff will soon arrive in Washington to begin working with customers and to develop the needed operations base," said John Howell, company president. "June 18 is a target date for beginning operations."

Washington and Idaho Railway Inc., located in Lewiston, Idaho, currently operates the P&L Line under a sublease from Watco and will continue operations. The company is affiliated with the BG & CM Railroad operating in Idaho and shares office staff and personnel as needed. "We have a good source of track materials so we'll be able to maintain the rail effectively," said Stan Patterson, company president. "We intend to continue the excellent service we have been providing and to aggressively build business for the future."

WSDOT is finalizing an operating agreement with each railroad company and rail operations will start in June. For more information on the PCC Railroad, visit: www.wsdot.wa.gov/Projects/Rail/PCC_Acquisition

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CERTIFICATE OF SERVICE

I hereby certify that on this 17th day of May, 2007, a copy of the foregoing **Petition to Partially Revoke Class Exemption and Expedite Effective Date** was served by first class mail, postage prepaid, upon:

Mark S. Lyon, Esq.
Assistant Attorney General
Office of the Attorney General
7141 Cleanwater Drive SW
Tumwater, WA 98501-6503
Attorney for Washington State Department of Transportation

Craig R. Richey, Esq.
General Counsel
Palouse River & Coulee City Railroad, Inc.
315 West 3rd Street
Pittsburg, KS 66762

Mr. Christopher M. Randall
Director - Shortline Development
BNSF Railway Company
2650 Lou Menk Drive
Fort Worth, TX 76131-2830

and by first class mail, postage prepaid, upon:

Almira Farmers Warehouse Company
P.O. Box 196
Almira, WA 99103

Central Washington Grain Growers, Inc.
P.O. Box 649
Waterville, WA 98858

Davenport Union Warehouse Company
P.O. Box 149
Davenport, WA 99122

Isaak Brothers
P.O. Box 953
Coulee City, WA 99115

Lincoln County Economic Development Council
P.O. Box 1305
Davenport, WA 99122

Odessa Union Warehouse Company
P.O. Box 247
Odessa, WA 99159

Reardan Grain Growers, Inc.
P.O. Box 185
Reardan, WA 99029

A handwritten signature in black ink, appearing to read 'T. Litwiler', is written over a horizontal line.

Thomas J. Litwiler