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May 10, 2010

Ms. Cynthia T. Brown  
Chief of the Section of Administration, Office of Proceedings  
Surface Transportation Board  
395 E Street, S.W.  
Washington, D. C. 20423

2270 15

RE: Docket No. 42104, *Entergy Arkansas, Inc. and Entergy Services, Inc. v. Union Pacific Railroad Company and Missouri & Northern Arkansas Railroad Company, Inc.*  
Finance Docket No. 32187, *Missouri & Northern Arkansas Railroad Company, Inc.—Lease, Acquisition and Operation Exemption Missouri Pacific Railroad Company and Burlington Northern Railroad Company*

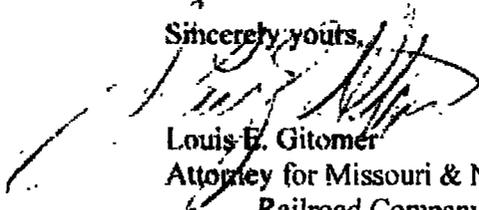
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Dear Ms. Brown:

Enclosed for e-filing is the Answer of the Missouri & Northern Arkansas Railroad Company, Inc. to the Second Amended Complaint of Entergy Arkansas, Inc. and Entergy Services, Inc.

Thank you for your assistance. If you have any questions please call or email me.

Sincerely yours,



Louis E. Gitomer  
Attorney for Missouri & Northern Arkansas  
Railroad Company, Inc.

Enclosure

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Office of Proceedings

MAY 10 2010

Part of  
Public Record

BEFORE THE  
SURFACE TRANSPORTATION BOARD

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Docket No. 42104

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ENTERGY ARKANSAS, INC. AND ENTERGY SERVICES, INC.  
v.  
UNION PACIFIC RAILROAD COMPANY AND MISSOURI & NORTHERN ARKANSAS  
RAILROAD COMPANY, INC.

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Finance Docket No. 32187

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MISSOURI & NORTHERN ARKANSAS RAILROAD COMPANY, INC.  
-LEASE, ACQUISITION AND OPERATION EXEMPTION-  
MISSOURI PACIFIC RAILROAD COMPANY AND  
BURLINGTON NORTHERN RAILROAD COMPANY

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ANSWER OF MISSOURI & NORTHERN ARKANSAS RAILROAD COMPANY, INC.  
TO SECOND AMENDED COMPLAINT OF ENTERGY ARKANSAS, INC. AND ENTERGY  
SERVICES, INC.

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Public Record

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Attorneys for: MISSOURI & NORTHERN  
ARKANSAS RAILROAD COMPANY, INC.

Dated: May 10, 2010

BEFORE THE  
SURFACE TRANSPORTATION BOARD

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Docket No. 42104

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ENTERGY ARKANSAS, INC. AND ENTERGY SERVICES, INC.  
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-LEASE, ACQUISITION AND OPERATION EXEMPTION-  
MISSOURI PACIFIC RAILROAD COMPANY AND  
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SERVICES, INC.

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**SUMMARY**

Pursuant to 49 C.F.R. §§ 1111.4, Missouri & Northern Arkansas Railroad Company, Inc. ("M&NA") answers the Second Amended Complaint (the "Second Amended Complaint") filed by Entergy Arkansas, Inc. ("EAI") and Entergy Services, Inc. ("ESI"), jointly referred to as Entergy.

Entergy filed the Second Amended Complaint and a Motion for Leave to file Second Amended Complaint (the "Motion") on March 11, 2010. In *Entergy Arkansas, Inc. and Entergy Services, Inc. v. Union Pacific Railroad Company and Missouri & Northern Arkansas Railroad Company, Inc.*, STB Docket No. 42104 (STB served April 19, 2010), the Surface Transportation

Board (the "Board") granted the Motion. M&NA is treating April 19, 2010 as the date of the filing of the Second Amended Complaint. An answer to a complaint must be filed "within 20 days after the service of the complaint." 49 C.F.R. §1111.4(c). Since the twentieth day is on a Sunday, the answer is due on the next day, May 10, 2010. 49 C.F.R. §1104.7(a).

With respect to M&NA, Entergy seeks prescription of "a through route (or routes) that would require BNSF Railway Company ("BNSF") and [M&NA] to transport unit coal trains from Powder River Basin ("PRB") mines to Entergy's Independence Steam Electric Station ("Independence" or "ISES"). Second Amended Complaint at 1-2.

M&NA denies all averments made by Entergy that M&NA has violated 49 U.S.C. §10705 and related sections and Board regulations regarding M&NA's lease, its relationship with other rail carriers, and operation of the rail line described below.

#### **BACKGROUND**

Pursuant to authorization from the Interstate Commerce Commission, M&NA acquired from the Union Pacific Railroad Company ("UP") and began operating in 1992 railroad lines located in the States of Missouri, Kansas, and Arkansas.

M&NA owns the rail lines located between: (1) milepost 415.7, at Bergman, AR, and milepost 312.2, at Guion, AR; (2) milepost 334.39, at Iron Gate Street in Joplin, MO, and milepost 330.2, end of track near Tamko, including the Tamko Lead, the West Joplin Industrial Trackage, all tracks formerly owned by BNSF in the KCS rail yard in Joplin and BNSF's Joplin Yard; and (3) milepost 309.9 and milepost 315.3 in Carthage, MO (the "Owned Lines").

Pursuant to a Lease Agreement dated as of December 11, 1992 by and between Missouri Pacific Railroad Company ("MP") and M&NA (the "Lease"), M&NA leases from UP the rail

lines between: (1) milepost 643.3, at Pleasant Hill, and milepost 527.9, at Carthage; (2) milepost 316.9, at Nevada, and milepost 265.2, end of track at Clinton, MO; (3) milepost 317.2, at Carthage Sub Jct., and milepost 337.4, at Ft. Scott, KS; (4) milepost 528.2, at Carthage, MO, and milepost 545.7, at Joplin, MO; (5) milepost 527.9, at Carthage, MO, and milepost 415.7, at Bergman, AR; (6) milepost 381.5, at Cotter and milepost 258.7, at Diaz Jct., AR; and (7) milepost 506.5, at Springfield, MO, and milepost 511.4, at Wallis, MO (the "Leased Lines").

M&NA has trackage rights over the UP rail lines located between: (1) Neff Yard at Kansas City, and milepost 643.3, at Pleasant Hill, MO; and (2) milepost 258.7, at Diaz Jct., and milepost 261.0, at Newport, Arkansas (the "Trackage Rights Lines").

The Owned Lines, Leased Lines, and the Trackage Rights Lines will jointly be referred to as the "Line."

BNSF provides haulage service for the M&NA between Aurora and Springfield, MO. The Branson Scenic Railroad, Inc. and the White River Scenic Railroad operate passenger excursion trains over sections of the Line.

M&NA interchanges with UP at Kansas City, MO, and Newport, AR; BNSF at Lamar, Aurora, Joplin, and Springfield, MO; and KCS at Joplin, MO. Since there are existing interchanges with BNSF at Lamar, Aurora, Springfield, and Joplin, MO, a through route over those interchanges already exists between BNSF and M&NA.

M&NA operates the Owned Lines, the Leased Lines, and the Trackage Rights Lines as a unified system. The Owned Lines are about 108 miles of railroad, the Leased Lines are about 380 miles of railroad, and the Trackage Rights Lines are about 70 miles. If M&NA's right to lease the 380 miles and operate over 30 miles of trackage rights from UP were terminated for

any purpose, M&NA would cease being a viable railroad. If the Lease were terminated, the three segments owned by M&NA would become disconnected islands and M&NA would lose the majority of its traffic. Loss of the lease and trackage rights franchise from the UP would most likely have a devastating financial impact on M&NA and require M&NA to review all options as to the future of its remaining lines. Under the Lease, M&NA may shift up to five percent of the traffic that it interchanges with UP to interchange with another carrier, without incurring an increase in payments to UP. Hence, under the Lease, there is additional competition for up to five percent of the traffic interchanged between UP and M&NA. Were the Lease terminated, this competitive option would end.

M&NA would lose the substantial capital expenditures it has made in the Line if the Lease were terminated. Moreover, there would be a substantial disruption of service to shippers that rely upon M&NA. M&NA would not have the system size or volume of work necessary to retain its workforce of 126. Pursuant to the Board's rules, M&NA would be required to seek discontinuance authority in order to terminate its operations under the Lease, at a minimum. M&NA could incur the costs of labor protection resulting from discontinuance of service over the Leased Lines.

M&NA has operated for over 17 years and has provided a valuable service to its customers as demonstrated by its handling of 101,993 carloads in 2009.

**To the extent that M&NA does not specifically admit an averment made in the Second Amended Complaint, that averment is denied.**

## ANSWER TO SECOND AMENDED COMPLAINT

1. M&NA denies that the Complaint “confirmed that the continued enforcement of certain provisions of a 1992 lease agreement between UP and M&NA precludes interchange of traffic with a long-haul carrier other than UP.”

M&NA further denies that *Entergy Arkansas, Inc. and Entergy Services, Inc. v. Union Pacific Railroad Company and Missouri & Northern Arkansas Railroad Company, Inc.*, STB Docket No. 42104 (STB served June 26, 2009) (the “*Decision*”) provides any support whatsoever for the averment made in the first sentence of Paragraph 1. To the contrary, the *Decision* denied or held in abeyance the relief sought by Entergy.

M&NA is without sufficient information to admit or deny the averment made by Entergy in the third sentence of Paragraph 1 of the Second Amended Complaint. The third sentence of Paragraph 1 relates to information within the specific knowledge of Entergy.

2. M&NA admits that the Board served the *Decision* on June 26, 2009. M&NA does not admit or deny the averments made by Entergy concerning the interpretation of the *Decision* in that the *Decision* speaks for itself.

3. M&NA does not admit or deny the averments made by Entergy concerning the interpretation of the *Decision* in that the *Decision* speaks for itself. M&NA does not admit or deny Entergy’s characterization of Entergy’s Second Amended Complaint. The second sentence of Paragraph 3 relates to information within the specific knowledge of Entergy.

4. M&NA admits that the Board served *Entergy Arkansas, Inc. and Entergy Services, Inc. v. Union Pacific Railroad Company and Missouri & Northern Arkansas Railroad Company*.

*Inc.*, STB Docket No. 42104 (STB served December 30, 2009) (the “*December Decision*”).

M&NA does not admit or deny the averments made by Entergy concerning the interpretation of the *December Decision* in that the *December Decision* speaks for itself. M&NA is without sufficient information to admit or deny the averment made by Entergy in the last sentence of Paragraph 4 of the Second Amended Complaint.

5. M&NA admits that the Board’s *December Decision* required that Entergy identify the “origin/destination point(s), and the point(s) of interchange.” M&NA denies that Entergy has identified its preferred through routes in the Second Amended Complaint in that Entergy has not identified specific origin points.

6. M&NA is without sufficient information to admit or deny the averments made by Entergy in Paragraph 6 of the Second Amended Complaint. Paragraph 6 relates to information within the specific knowledge of Entergy.

7. M&NA is without sufficient information to admit or deny the averments made by Entergy in Paragraph 7 of the Second Amended Complaint. Paragraph 7 relates to information within the specific knowledge of Entergy.

8. M&NA is without sufficient information to admit or deny the averments made by Entergy in Paragraph 8 of the Second Amended Complaint.

9. M&NA admits the averments made by Entergy in Paragraph 9 of the Second Amended Complaint.

10. M&NA denies that its corporate headquarters is at 5300 Broken Sound Blvd., NW, Boca Raton, Florida 33487. M&NA's corporate headquarters is located at 514 N. Ormer, Carthage, MO 64836. M&NA admits the remaining averments made by Entergy in Paragraph 10 of the Second Amended Complaint.

11. M&NA is without sufficient information to admit or deny the averments made by Entergy in Paragraph 11 of the Second Amended Complaint.

12. M&NA admits the averments made by Entergy in the first sentence of Paragraph 12 of the Second Amended Complaint, except that M&NA sought to lease, acquire and operate only 491.27 miles of rail line. M&NA denies that Entergy's "evidence in this case" demonstrated anything, in that the Board denied the relief sought by Entergy and the documents speak for themselves.

13. M&NA admits the averments made by Entergy in Paragraph 13 of the Second Amended Complaint, except that RailTex, Inc. is still the parent company of M&NA.

14. M&NA admits the averments made by Entergy in Paragraph 14 of the Second Amended Complaint.

15. M&NA admits the averments made by Entergy in Paragraph 15 of the Second Amended Complaint, except that over 16 years of the term have now expired.

16. M&NA is without sufficient information to admit or deny the averments made by Entergy in Paragraph 16 of the Second Amended Complaint. Since the information referred to in Paragraph 16 has been classified as HIGHLY CONFIDENTIAL, M&NA does not have access to such information.

17. M&NA is without sufficient information to admit or deny the averments made by Entergy in Paragraph 17 of the Second Amended Complaint. Since the information referred to in Paragraph 17 has been classified as HIGHLY CONFIDENTIAL, M&NA does not have access to such information.

18. M&NA admits the averments made by Entergy in Paragraph 18 of the Second Amended Complaint.

19. M&NA is without sufficient information to admit or deny the averments made by Entergy in Paragraph 19 of the Second Amended Complaint.

20. M&NA is without sufficient information to admit or deny the averments made by Entergy in Paragraph 20 of the Second Amended Complaint.

21. M&NA admits the averments made by Entergy in Paragraph 21 of the Second Amended Complaint.

22. M&NA admits the averments made by Entergy in Paragraph 22 of the Second Amended Complaint.

23. M&NA denies the averment made by Entergy in Paragraph 23 of the Second Amended Complaint. M&NA cannot evaluate this averment because Entergy has not specified any alternate route and has provided no information on which to judge circuitry or efficiency.

24. M&NA is without sufficient information to admit or deny the averments made by Entergy in Paragraph 24 of the Second Amended Complaint.

25. M&NA denies the averment made by Entergy in the first sentence of Paragraph 25 of the Second Amended Complaint. M&NA is without sufficient information to admit or deny the averments made by Entergy in the second sentence of Paragraph 25 of the Second Amended

Complaint as the factual information, if any, relates to information within the specific knowledge of Entergy, and the opinion is that of Entergy.

26. M&NA admits that it is physically capable of providing rail transportation to deliver coal originating in the PRB on another railroad to Independence. M&NA denies that BNSF is physically capable of providing rail transportation to deliver coal originating in the PRB to Independence in that BNSF does not provide rail service to Independence.

27. M&NA admits that the physical structure is in place to interchange with BNSF at Aurora and Lamar, MO. M&NA admits that if the necessary investment was made and BNSF and M&NA could reach an interchange agreement, that physical interchange with BNSF could be provided at Aurora or Lamar.

28. M&NA is without sufficient information to admit or deny the averments made by Entergy in Paragraph 28 of the Second Amended Complaint, which are based on Entergy's opinion of what is possible.

29. M&NA is without sufficient information to admit or deny the averments made by Entergy in Paragraph 29 of the Second Amended Complaint, which are based on communications between Entergy and BNSF, which M&NA was not a party to.

30. M&NA admits that in Paragraph 30 Entergy has accurately quoted Sections 4.01 and 4.03 of the Lease Agreement dated as of December 11, 1992 by and between Missouri Pacific Railroad Company ("MP") and M&NA (the "Lease"). M&NA denies the characterization in Paragraph 30 of the Lease by Entergy that the "Lease establishes a 'paper barrier'".

31. M&NA admits the averments made by Entergy in Paragraph 31 of the Second Amended Complaint, except for the rounding of the escalated rental.

32. M&NA denies the averments made by Entergy in Paragraph 32 of the Second Amended Complaint to the extent that Entergy is interpreting the Lease, which speaks for itself.

33. M&NA admits that in Paragraph 33 of the Second Amended Complaint Entergy has accurately quoted Sections 3.01 and 3.04 of the Lease. M&NA denies the characterization of Sections 3.01 and 3.04 of the Lease in the remainder of Paragraph 33 by Entergy.

34. M&NA admits that in Paragraph 34, Entergy has accurately quoted Section 15.01(f) of the Lease. M&NA denies the characterization of Section 15.01(f) of the Lease by Entergy.

35. M&NA hereby incorporates the answers in paragraphs 1-34 as if repeated in their entirety.

36. M&NA admits that the quoted portions of the *Decision* in paragraph 36 of the Second Amended Complaint are accurate. M&NA denies the characterization of the quotations made by Entergy.

37. Entergy states a legal conclusion in Paragraph 37 of the Second Amended Complaint, to which no response is required.

38. Entergy states a legal conclusion in Paragraph 38 of the Second Amended Complaint, to which no response is required. M&NA denies the averments made by Entergy in the second sentence of Paragraph 38 of the Second Amended Complaint.

39. Entergy states a legal conclusion in Paragraph 39 of the Second Amended Complaint, to which no response is required.

40. Entergy states a legal conclusion in Paragraph 40 of the Second Amended Complaint, to which no response is required. M&NA denies the averments made by Entergy in Paragraph 40 of the Second Amended Complaint.

41. M&NA admits the averments made by Entergy in the first and second sentences of Paragraph 41 of the Second Amended Complaint. If the Lease were terminated, it is M&NA's belief that the only traffic, if any, over its line between Bergman and Guion, AR would be loaded cars destined to Independence and empty cars originating at Independence, and that this traffic would have to cover the cost of upgrading and operating the line between Bergman and Guion, AR.

42. M&NA opposes the alternate relief sought by Entergy in Paragraph 42 of the Second Amended Complaint.

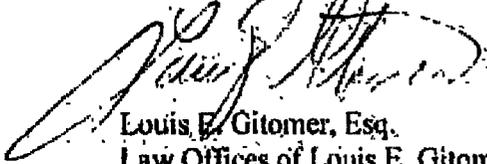
#### **M&NA'S AFFIRMATIVE DEFENSES**

1. Entergy has not met or even averred the requirements of 49 U.S.C. §10705(a).
2. Entergy has not met or even averred the requirements of 49 C.F.R. §1144.2(a)(1) and (2)(i).
3. Entergy is seeking to have the Board require M&NA to make unnecessary and wasteful expenditures to construct an interchange without a guaranty of traffic or a means of financing the expenditure.

**PRAYER**

For the foregoing reasons, M&NA requests the Board to: (1) conclude that M&NA has not violated any provision of 49 U.S.C. §10705; (2) dismiss the Second Amended Complaint; (3) discontinue this proceeding; and (4) award M&NA such other relief to which it is entitled.

Respectfully submitted,



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Attorneys for: MISSOURI & NORTHERN  
ARKANSAS RAILROAD COMPANY, INC.

Dated: May 10, 2010

**CERTIFICATE OF SERVICE**

I hereby certify that I have caused the foregoing document to be served upon counsel for Entergy Arkansas, Inc., Entergy Services, Inc., Union Pacific Railroad Company, Arkansas Electric Cooperative Corporation, and BNSF Railway Company electronically.

  
Louis E. Gitomer  
May 10, 2010