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June 14, 2010

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Chief, Section of Administration
Office of Proceedings
Surface Transportation Board
395 E Street, SW
Washington, D.C. 20024

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Office of Proceedings

JUN 14 2010

Part of
Public Record

Re: Finance Docket No. 35220 Union Pacific Railroad Company, Iowa Interstate Railroad, Ltd., Red Giant Oil Company, Midwest Walnut Company of Iowa – Rationalization of Service in Council Bluffs, Iowa

Ladies and Gentlemen:

Union Pacific Railroad Company ("UP"), Iowa Interstate Railroad, Ltd. (IAIS), Red Giant Oil Company ("Red Giant") and Midwest Walnut Company of Iowa ("Midwest"), the Petitioners in the above proceeding, submit this letter in response to the Board's decision served in May 25, 2010, directing Petitioners to file supplemental information by June 14, 2010.

We will begin with an overview of the transaction, and then turn to the specific issues raised in the Board's May 25 decision.

I.

OVERVIEW

A. Trackage Involved in the Transaction

The transaction involves three track segments in Council Bluffs, Iowa, shown on the attached map (originally submitted as Exhibit 1 to the Petition).

- (i) A segment of the main line of the Iowa Interstate Railroad ("IAIS") between IAIS mileposts 486.8 and 488.0 (the "IAIS Line"). This track is shown in purple on the map;

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- (ii) A segment of Union Pacific Railroad ("UP") trackage formerly part of a Chicago & Great Western Railroad main line between UP mileposts 503.6 and 504.05 (the "UP Line"). The mileposts are the current endpoints of the segment. This track is shown in orange on the map.
- (iii) A "Connecting Track" approximately 900 feet in length which diverges from the IAIS Line near IAIS milepost 486.8 and connects to the UP Line, and which allows the UP Line to be accessed from the IAIS Line. This track is shown in brown on the map.

There are no shippers served directly from the Connecting Track. Red Giant and Midwest are shippers located on the UP Line, and are the only shippers served by the line. IAIS currently accesses the UP Line via the IAIS Line and the Connecting Track to serve these shippers. UP also has the right to serve these shippers directly by using trackage rights over the IAIS Line to access the Connecting Track and the UP Line, but it has not been providing any such service for over two years. IAIS has provided all required service both as a line haul carrier for its own traffic and as a switch carrier for UP line haul traffic.

B. The Proposed Transaction

The purpose of the transaction is to restructure Petitioners' ownership and operating rights while leaving IAIS' rights and common carrier obligation to provide service to the shippers unchanged. As a result of the transaction, Red Giant will acquire ownership of the Connecting Track and the UP Line, and IAIS will retain unrestricted rights to provide common carrier rail service over this trackage. The specific elements of the transaction are as follows:

- (i) IAIS will acquire UP's unused operating rights over the UP Line and the Connecting Track and assume the sole common carrier obligation to directly serve the shippers on the UP Line. UP will no longer have the right or obligation to provide such service;
- (ii) Red Giant will acquire the UP Line (right-of-way, track structure and related personal property) from UP. UP will no longer have any property interests in this line;
- (iii) Red Giant will acquire the Connecting Track right-of-way from Midwest and UP;
- (iv) Red Giant will acquire the track structure and related personal property on the Connecting Track right-of-way from UP;

- (v) Red Giant will grant IAIS unrestricted rights to use the UP Line and the Connecting Track for common carrier rail service;¹
- (vi) Red Giant will grant Midwest an easement for Midwest to use the Connecting Track and a portion of the UP Line for private switching of Midwest's facility;
- (vii) Red Giant will assume responsibility for maintaining the UP Line and the Connecting Track, subject to IAIS' right to perform maintenance if Red Giant fails to do so;
- (viii) UP will separately discontinue its overhead trackage rights over the IAIS Line at a later date. This element of the transaction is not covered by the Petition in the above docket and will be the subject of a future Board filing.

II.

RESPONSES TO ISSUES RAISED IN MAY 25 DECISION

A. Procedural Steps for Transfer of Property Interests and Easements

Petitioners intend that all of the proposed transfers of property interests and operating rights described above (except for UP's discontinuance of trackage rights over the IAIS Line) will occur simultaneously at a single closing. This includes the transfer of ownership interests described in 'D' below and Red Giant's grant to IAIS of unrestricted rights to provide rail service over the Connecting Track and the UP Line.

B. Supplemental Labor Notification

A supplemental labor notification is attached as Exhibit 2 to this letter, together with a certification showing that service was made on labor organizations as required by 49 CFR 1121.4(h) on June 11, 2010. The supplemental notification reflects two clarifications. First, the notification has been corrected to accurately describe how IAIS will acquire the right to operate over the subject trackage. The earlier notice stated that IAIS would acquire a freight easement from UP. As discussed in 'A' above, IAIS will actually acquire the rights to continue using the track and right-of-way from Red Giant. Second, the notice clarifies IAIS' employment intentions. Given the fact that IAIS is

¹ Technically, Red Giant's grant of operating rights to IAIS is not an "easement", because it is not a grant of an interest in real property. It is a contractual grant which gives IAIS the unrestricted right to use the right-of-way and track structure for common carrier rail service, as provided in the IAIS "Industrial Track Agreement" attached to the October, 2009 Petition. While this agreement uses the shorthand terms "industrial trackage" and "industry track" to describe the subject trackage, the actual provisions of the agreement make clear that the track is a common carrier line of railroad, and that IAIS cannot abandon it or discontinue service over it without Board authority, see Industrial Trackage Agreement, 2nd and 3rd "Whereas" clauses, Sections 5, 7, and 12.

already providing service over subject line segments under its existing trackage rights (obtained in Finance Docket 33883), IAIS does not currently anticipate hiring any additional personnel as a result of this transaction. If it does so in the future, the positions would likely be one or more of the positions described in the notice.

Petitioners understand that, under Board rules, the transaction cannot be closed until at least 60 days after service of the supplemental labor notification (i.e., August 10, 2010), and have no objection to the Board imposing a condition to this effect.

C. Clarification of Inconsistencies in Petition

This letter accurately describes the proposed transaction and the steps which will be taken to effectuate it. To the extent the description in this letter may be inconsistent with anything contained in the Petition or its attachments, this letter contains the correct information and should govern.

D. Interests to be Transferred

The interests to be transferred are as follows:

- (i) UP will transfer all of its operating rights and obligations as to the Connecting Track and the UP Line to IAIS;
- (ii) UP will transfer its ownership interests in the UP Line right-of-way, track structure and related personal property to Red Giant;
- (iii) UP will transfer its ownership interests in the Connecting Track track structure and related personal property to Red Giant;
- (iv) Midwest and UP will transfer their respective ownership interests (held or claimed) in the Connecting Track right-of-way to Red Giant;
- (v) Red Giant will grant IAIS unrestricted rights to use the Connecting Track and the UP Line for common carrier rail service, as provided in the IAIS Industrial Track Agreement attached to the October, 2009 Petition;
- (vi) Red Giant will grant Midwest an easement for Midwest to use the Connecting Track and a portion of the UP Line for private switching of Midwest's facility;
- (vii) No interests in the IAIS Line are being transferred in this transaction.

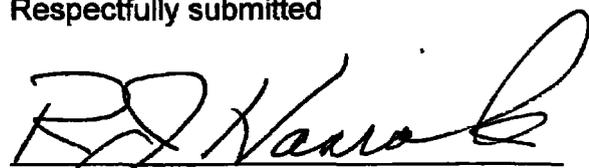
E. Interests to be Retained

As a result of this transaction, Red Giant will acquire all ownership interests in the Connecting Track and the UP Line (either from UP or from Midwest), and IAIS will have the sole right to provide rail service over this trackage. Specifically:

- (i) IAIS will retain its common carrier obligation to serve shippers on the trackage covered by this transaction. IAIS is obtaining operating rights and common rail carriage obligations of the orange and brown tracks and retaining those same rights/obligations on its own purple line as shown on Exhibit 1.
- (ii) UP will retain no operating rights or obligations as to the Connecting Track or the UP Line. IAIS will have sole rights to operate over this trackage
- (iii) UP will retain no ownership interests in either the Connecting Track or the UP Line
- (iv) Midwest will retain no ownership interests in the Connecting Track (it has no ownership interests in the UP Line) except the easement to be granted by Red Giant described in II(D)(vi) above.

Thank you for the opportunity to clarify these matters. Should the Board have any further questions, please feel free to contact me.

Respectfully submitted



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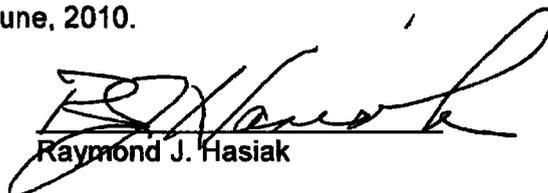
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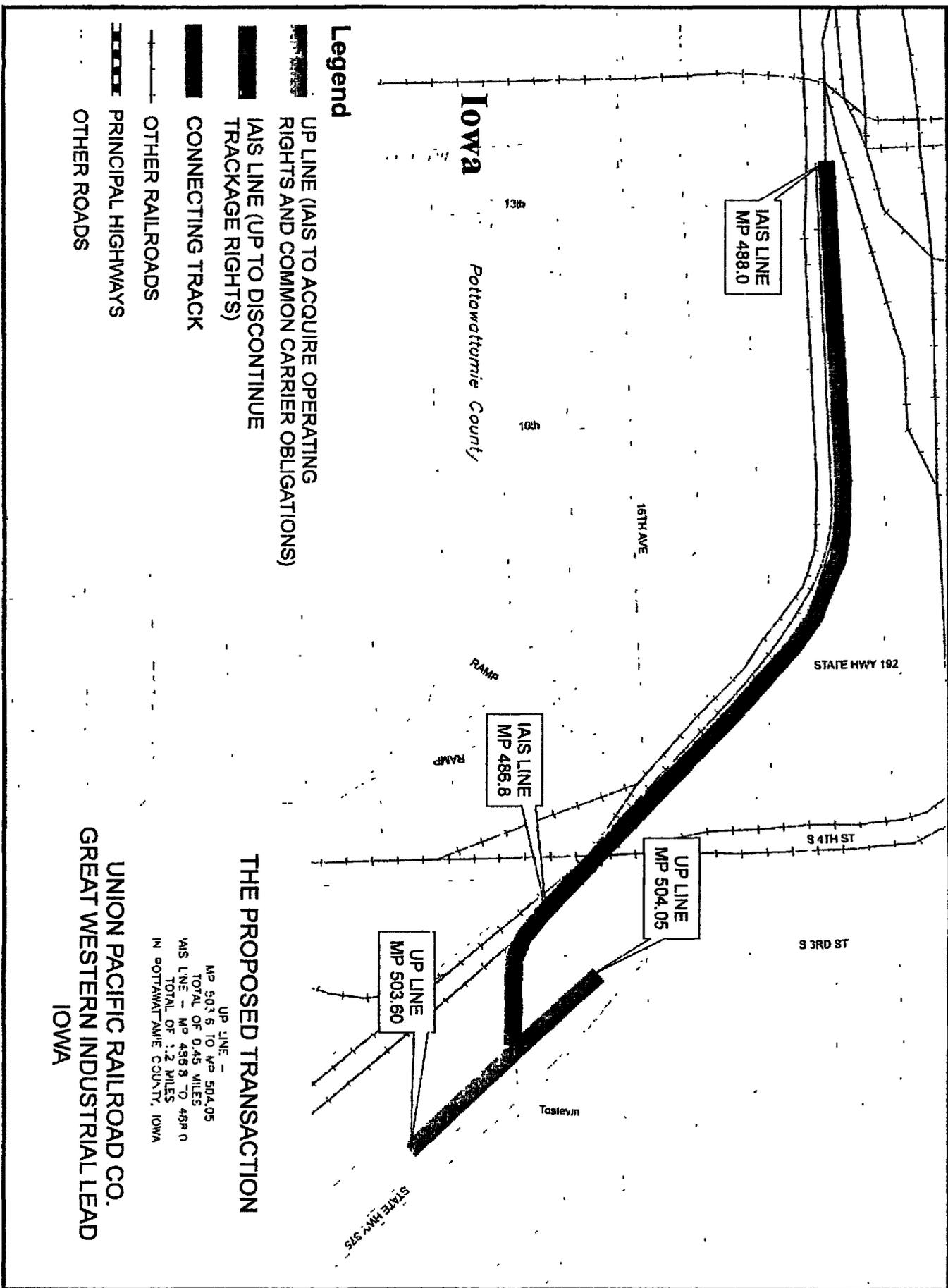

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CERTIFICATE OF SERVICE

I certify that I have this date served a copy of the forgoing document on all parties of record to this proceeding. Service was made by First Class United States Mail.

Dated at Omaha, Nebraska this 14th day of June, 2010.


Raymond J. Hasiak





June 11, 2010

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RE: STB Finance Docket No. 35220 – Union Pacific Railroad Company, Iowa Interstate Railroad Company Ltd., Red Giant Oil Company, Midwest Walnut Company of Iowa - Revised Notice of Transaction Pursuant to 49 CFR 1121.4(h)

Dear Madam or Sir:

This refers to the notice of the above transaction which we previously sent you on October 15, 2009.

Pursuant to 49 U.S.C. 10902 and 49 C.F.R. 1121.4, Iowa Interstate Railroad, Ltd is providing you with a revised notice of the above transaction, which is enclosed with this letter. This notice replaces the October 15, 2009 notice. The enclosed notice is being provided to the Union Pacific for posting in the appropriate workplace for affected Union Pacific employees.

Sincerely,

A handwritten signature in black ink, appearing to read "Lanny M. Van Deale", is written over a horizontal line.

Lanny M. Van Deale

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STB Finance Docket No. 35220

IOWA INTERSTATE RAILROAD, LTD.

NOTICE OF TRANSACTION

**PURSUANT TO 49 U.S.C. 10902 AND 49 C.F.R. 1121.4(h)
(Revised, June 11, 2010)**

Pursuant to Surface Transportation Board regulations at 49 C.F.R. 1121.4(h), Iowa Interstate Railroad, Ltd. (IAIS) hereby gives notice to employees of Union Pacific Railroad Company (UP) that, by Petition for Exemption filed with the Surface Transportation Board on October 20, 2009, IAIS proposed to acquire UP's rights to operate over, and provide common carrier freight service upon, the following lines of railroad (collectively, the Line):

1. UP's Great Western Industrial Lead from Milepost 503.6 to Milepost 504.05, a distance of 0.45 miles, and
2. An associated connecting track, which is approximately 900 feet long, and connects the UP Line to IAIS' Main Line. The total length of the Line is approximately 0.65 miles.

UP has not been operating over the Line for at least two years. IAIS has been operating over and providing all common carrier freight service on the Line pursuant to a trackage rights arrangement exempted by the Board in Finance Docket No. 33883, *Iowa Interstate Railroad, Ltd and Union Pacific Railroad Co. – Exemption – Joint Relocation Project in Council Bluffs, IA* (served June 12, 2000). Following the transaction, UP will have no further obligations or rights to operate over the Line:

Since IAIS is already providing all common carrier freight service on the Line, it does not currently intend to hire any additional employees as a result of the instant transaction. In the event IAIS were to hire any additional employees in the future for this service, they would likely be one or more of the following positions:

1. Engineer(s) at an annual salary of approximately \$61,000 - \$65,000.
2. Trainmen at an annual salary of approximately \$61,000 - \$65,000.
3. Maintenance of Way personnel at an annual salary of approximately \$44,263 - \$55,257.

IAIS will offer:

- Dental, medical, and disability plans
- Expense reimbursement
- Holidays
- Family and medical leave
- Jury duty
- Military leave
- 401(k) plan

IAIS will select any new employees on the basis of:

- Current certifications held
- Railroad job knowledge
- Skills and ability
- Previous work experience

Any UP employee interested in further information concerning positions available at IAIS should contact IAIS' Human Resources Department at (310) 298-5400.

This notice replaces the IAIS notice dated October 15, 2009 in this proceeding.

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CERTIFICATE OF SERVICE

The undersigned persons hereby certify that, as of this 11th day of June 2010, the foregoing Notice of Transaction has been (1) served upon the offices of the labor unions with employees on the affected lines, and (2) posted at the workplaces of employees on the affected lines, as required by 49 CFR 1121(4)(h).

IOWA INTERSTATE RAILROAD LTD

Signed: *[Handwritten Signature]*

Title: CORPORATE COUNSEL

UNION PACIFIC RAILROAD COMPANY

Signed: *[Handwritten Signature]*

Title: CORPORATE COUNSEL

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