

DO

FR-4915-01-P

SURFACE TRANSPORTATION BOARD

[Docket No. FD 36828]

California Northern Railroad Company—Lease and Operation Exemption Including
Interchange Commitment—Union Pacific Railroad Company

California Northern Railroad Company (CFNR), a Class III railroad, has filed a verified notice of exemption pursuant to 49 CFR 1150.41, to exempt from regulation CFNR's entry into a lease amendment that will extend the term of, and make other changes to, a lease (the Original Lease) that CFNR entered into with the predecessor to Union Pacific Railroad Company (UP), Southern Pacific Transportation Company (SP).¹ The rail lines subject to the lease amendment (Leased Lines) include the following segments, totaling approximately 183 route miles: (i) the Schellville Branch, from milepost 48.97 (east leg of wye) and milepost 48.93 (west leg of wye), at Suisun, Cal., to milepost 63.40, near Lombard, Cal.; (ii) the Napa Branch, from milepost 61.61, at Lombard, to the bumper near Rocktram, Cal., at milepost 67.50; (iii) the Vallejo Branch, from milepost 61.42, at Napa Jct., Cal., to milepost 68.87, at Vallejo, Cal.; (iv) the West Valley Line, from milepost 75.66 (east leg of wye) and milepost 75.58 (west leg of wye), at Davis, Cal., to milepost 186.30 (east leg of wye toward Portland, Cal.) and milepost 186.33 (west leg of wye toward Roseville), at Tehema, Cal.; (v) the Hamilton

¹ CFNR originally submitted its verified notice of exemption on April 2, 2025, but supplemented it on April 14, 2025. In light of CFNR's supplement, April 14, 2025, is considered the filing date of the verified notice.

Branch, from milepost 180.40, at Wyo, Cal., to milepost 169.00, at Hamilton, Cal.;

(vi) the Los Banos Branch, from milepost 83.00, at Tracy, Cal., to milepost 140.07 at Los Banos, Cal.;² (vii) the Sugarfield Industrial Lead, from milepost 85.56 at Woodland, Cal., to milepost 88.25 at Sugarfield, Cal.; and (viii) the Johns Manville Industrial Lead, from milepost 150.0 at Willows, Cal., to the end of UP's track ownership at milepost 152.68.³

CFNR states that it has leased the Leased Lines since 1993 when it entered into the Original Lease with UP's predecessor, SP. See Cal. N. R.R., FD 32353. According to CFNR, the Original Lease was for a term of ten years and renewed automatically thereafter. The verified notice states that CFNR and UP have agreed to amend the Original Lease to extend the term and make other commercial changes, and that CFNR will continue to be the operator after the transaction.⁴

² The original grant of authority for the Los Banos Branch extended to milepost 141.17. Cal. N. R.R.—Lease & Operation Exemption—Certain Lines of S. Pac. Transp. Co., FD 32353, slip op. at 2 (ICC served Oct. 5, 1993). UP and CFNR obtained authority to abandon and discontinue the segment of rail line from milepost 140.07 to milepost 141.17 in 2001. Union Pac. R.R.—Aban. Exemption—in Merced Cnty., Cal., AB 33 (Sub-No. 179X) et al., slip op. at 3 (STB served Sept. 7, 2001). The original lease authority also included SP's Northwestern Pacific (NWP) Line from NWP milepost 142.50, near Outlet, Cal., to NWP milepost 40.60, near Schellville, Cal., to SPT milepost 63.40, near Lombard. Cal. N. R.R., FD 32353, slip op. at 1. CFNR assigned its rights to the NWP Line to the North Coast Railroad Authority in 1996. N. Coast R.R. Auth.—Lease & Operation Exemption—Cal. N. R.R., FD 33115, slip op. at 1 n. 2 (STB served Sept. 27, 1996).

³ The Sugarfield Industrial Lead and the Johns Manville Industrial Lead were not included in the original lease authority. Cal. N. R.R., FD 32353, slip op. at 2

⁴ CFNR represents that this is the sixth amendment to the Original Lease. CFNR does not indicate whether it believes authority from the Board was necessary for the previous amendments. The class exemption invoked by CFNR does not provide for retroactive effectiveness. See Cent. N.Y. R.R.—Lease & Operation Exemption Including Interchange Commitment—Norfolk S. Ry., FD 36825, slip op. at 2 n.3 (STB served Mar. 28, 2025).

CFNR certifies that the Original Lease includes an existing interchange commitment that potentially affects interchange with carriers other than SP (now UP). CFNR has provided additional information regarding the interchange commitment, as required by 49 CFR 1150.43(h).⁵

CFNR certifies that its projected revenues as a result of this transaction will not exceed will not exceed those that would qualify it as a Class III carrier, but also certifies that its revenues currently exceed \$5 million. Pursuant to 49 CFR 1150.42(e), if a carrier's projected annual revenues will exceed \$5 million, it must, at least 60 days before this exemption is to become effective, post a notice of its intent to undertake the proposed transaction at the workplace of the employees on the affected lines, serve a copy of the notice on the national offices of the labor unions with employees on the affected lines, and certify to the Board that it has done so. However, CFNR's verified notice of exemption includes a request for waiver of the 60-day advance labor notice requirement so that the exemption can become effective 30 days after it is filed. CFNR's waiver request will be addressed in a separate decision. The Board will establish the effective date of the exemption in its separate decision on the waiver request.

If the verified notice contains false or misleading information, the exemption is void ab initio. Petitions to revoke the exemption under 49 U.S.C. 10502(d) may be filed

⁵ Concurrent with the initial filing of its verified notice of exemption, CFNR filed, under seal, portions of the amended lease. See 49 CFR 1150.43(h)(1) (providing that certain information related to interchange commitments, such as copies of agreements, will be kept confidential without an accompanying motion for a protective order). In its April 14 supplement, CFNR provided, under seal, the full amended agreement.

at any time. The filing of a petition to revoke will not automatically stay the effectiveness of the exemption. Petitions to stay must be filed no later than May 7, 2025.

All pleadings, referring to Docket No. FD 36828, must be filed with the Surface Transportation Board either via e-filing on the Board's website or in writing addressed to 395 E Street, S.W., Washington, DC 20423-0001. In addition, a copy of each pleading must be served on CFNR's representative, Justin J. Marks, Clark Hill PLC, 1001 Pennsylvania Ave. N.W., Suite 1300 South, Washington, DC 20004.

According to CFNR, this action is categorically excluded from environmental review under 49 CFR 1105.6(c) and from historic preservation reporting requirements under 49 CFR 1105.8(b).

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Decided: April 24, 2025.

By the Board, Scott M. Zimmerman, Acting Director, Office of Proceedings.