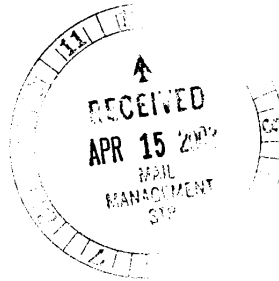


207629

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**G&E** GOLLATZ  
GRIFFIN  
& EWING  
ATTORNEYS - AT - LAW

ERIC M. HOCKY  
DIRECT DIAL 215.320.3720  
emhocky@ggelaw.com



April 10, 2003  
VIA: FAX  
Original by mail

Office of Proceedings  
Surface Transportation Board  
Attn: Mercury Building, #711  
1925 K Street, N.W.  
Washington D.C. 20423-001  
Attention: Tim Stratford

Re: Docket No. NOR 42078  
Norfolk Southern Railroad Company- Petition for  
Declaratory Order- Interchange with Reading  
Blue Mountain & Northern Railroad Company  
**Reply to Petition**

Dear Mr. Stratford:

As I advised you this morning, in our haste to file the above-referenced Reply in accordance with the Board's shortened deadline, we inadvertently included an exhibit that was intended to include redacted material. Enclosed is a set of the exhibits with the redaction properly marked. We request that this set of exhibits be substituted into the version of the Reply that is placed into the public record, and that any unredacted copies be considered "Highly Confidential." To the extent necessary, we request that the Board enter a protective order to protect the highly confidential information from disclosure.

Please let me know if you need anything additional from me with respect to this request.

Respectfully,

  
Eric M. Hocky

ENTERED  
Office of Proceedings

Enclosures

cc: Richard A. Allen, Esquire (via fax, w/encls.)  
Wayne A. Michel (via fax, w/encls.)

Part of  
Public Record

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GOLLATZ, GRIFFIN & EWING, P.C.

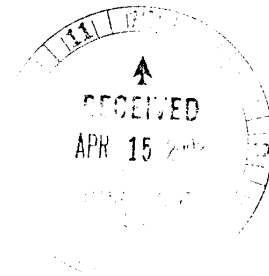
WEST CHESTER

PHILADELPHIA

WILMINGTON

**Exhibits to  
Reply to Petition  
Docket No. NOR 42078**

**PUBLIC VERSION**



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**APR 17 2003**

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Public Record**

# READING BLUE MOUNTAIN AND NORTHERN RAILROAD COMPANY

1 RAILROAD BOULEVARD

P.O. BOX 218

PORT CLINTON, PA 19549

FREIGHT DEPT. (610) 562-2100

PASSENGER DEPT. (610) 562-2102

WWW.READINGNORTHERN.COM

OR WWW.RDMNRR.COM

January 31, 2002

William E. Ingram  
Strategic Planning  
Norfolk Southern  
3 Commonwealth Place  
Norfolk, VA 23510  
Via fax 757-533-4884

Dear Bill:

Recently I shared with you the RBMN position on using Penobscot Yard as the NS/RBMN interchange point in lieu of Lehighton.

We have considered this alternative and find that it does not make sense for a number of reasons. I want to share our thinking with you so that you understand our concerns.

1. RBMN does not want to send a message to employees or customers that we are reducing our service territory. As you know, RBMN has acquired additional locomotive power in 2001 and we are now well-positioned with crews and power to handle all of our obligations. Retrenching to Penobscot would result in RBMN having underutilized power and crew. Given that we wish to expand our operations eventually and our belief that shortlines are better suited to low-density operations than Class 1s, we do not want to send a signal that we are shrinking.
2. Shifting interchange to Penobscot would have the effect of placing all of the infrastructure investment issues on RBMN. We would have to build and maintain the needed track. Given that we had proposed sharing the investment cost at Lehighton with NS and CP since all of us would benefit by the expanded infrastructure, we are not willing to take on the entire financial obligation. This is especially true since NS actually is currently responsible for providing the infrastructure at Lehighton Yard.
3. Impact on NS trackage rights speed. RBMN wants NS to be a long-term trackage rights tenant on the Lehigh Line. Towards that end, RBMN is planning on spending monies to make sure our infrastructure permits NS and CP to move over the line expeditiously. Any action that would require NS to slow down their trackage rights trains in order to effectuate interchange would get in the way of this goal.

For all of these reasons RBMN prefers to pursue the original concept of jointly building a 4000-foot runaround at Lehighton.

If NS remains interested in thinking outside the box and finding an alternative that does not require capital spending, I respectfully suggest that NS once again look at subleasing the Hazleton Cluster to

January 31, 2002

RBMN. Such an action would eliminate the congestion at Lehighton because RBMN can and would handle Hazleton traffic via the Lofly Connection and our Reading interchange with NS. Not only would we be able to avoid using Lehighton to interchange Hazleton traffic, we would also be able to avoid the rehabilitation costs of fixing up the Ashmore Secondary. In addition, bypassing the Ashmore would allow RBMN to avoid the serious grade on that line.

Transfer of the Hazleton Cluster would also permit RBMN to more effectively serve a coal mine that ships much of the anthracite business we both enjoy. Last year, the Jeddo mine near Hazleton was the largest originator of anthracite coal. This year we have already been told that Jeddo will again handle the majority of originating anthracite. Given that our service to Jeddo requires use of NS trackage rights from Oneida Junction and given that we suffered many delays in 2001, especially when NS forces were repairing Hazleton Yard after a derailment, transfer of the line would make it easier for both of us to enjoy the Jeddo traffic. It is in NS' best interest to keep coal trains moving fluidly out of Jeddo and down to Reading. If we control the tracks we can ensure that fluidity.

Finally, transfer of the Hazleton Cluster would eliminate the potential NS problem with the local development agency, Can-Do, and the expansion of its Humboldt Industrial Park. As you may recall, Can-Do approached RBMN, at the suggestion of NS' Emery Sinkulak, to see if we would be willing to serve Humboldt. Emery was trying to help Can-Do deal with the problem of meeting NS engineering specs for its plant expansion. NS specs would require Can-Do to spend an additional million dollars to increase the property available for rail tenants. When NS notified us that it did not wish RBMN to continue pursuit of service to Humboldt, we agreed to drop the matter. We have honored Mr. McClellan's September request and have avoided getting involved in this matter. However, I must note that a decision by NS to sublease this property would resolve this matter.

If NS decides to sublease the Hazleton line to us, we would agree to give NS protections similar to our Proctor & Gamble transaction. This proposal enables NS to:

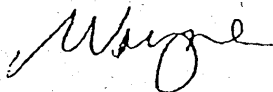
- retain the Hazleton traffic;
- improve the fluidity of the Jeddo business;
- encourage the expansion of a Keystone Opportunity Zone industrial park;
- avoid the capital costs involved with track expansion at Lehighton; and
- avoid the costs to rehabilitate the Ashmore Secondary.

I sincerely believe transfer of the Hazleton properties would be a win-win proposition.

Should NS decide that it is not interested in discussing such a proposal at this time, we still need to resolve the infrastructure issue at Lehighton.

I look forward to discussing these matters with you in the near future.

Sincerely,



Wayne A. Michel  
Executive Vice President - Railroad Operations

Subj: Trackage Rights follow-up

Date: 2/21/02

To: [weingram@nscorp.com](mailto:weingram@nscorp.com)

BCC: [tglass@readingnorthern.com](mailto:tglass@readingnorthern.com), [jraffa@readingnorthern.com](mailto:jraffa@readingnorthern.com)

Bill,

I am working to get you the RBMN response as soon as possible.

As I ran over the meeting and the issues discussed, I realized the interchange question still needed to be resolved. Clearly, neither CP nor NS plan on assisting in the building of a Lehighton-area run-around. Given NS' new operating plan that seems feasible. However, we all know that plans change and I am concerned that as business picks up NS may not want to put so much power into getting up to Hazleton. Accordingly, I have come to the preliminary conclusion that the best way to ensure no operating conflicts at Lehighton is to accept the NS proposal about moving the interchange to Penobscott.

Accordingly, I would like to know the following:

Would NS agree, as a specific part of the new trackage rights agreement, that the NS/RBMN southern Lehigh Line interchange occurs at Penobscott instead of Lehighton? Under this scenario RBMN would be obligated to provide, at RBMN cost, interchange tracks at Penobscott and NS would be obligated to provide, at NS cost, transportation to/from Penobscott to deliver and pick up cars 6 or 7 days a week.

I am looking for agreement by NS that the substitution of Penobscott for Lehighton would NOT alter any of the commercial terms shown in the NS/RBMN profile. Existing rate levels agreed to by NS and RBMN governing interchange at Lehighton would apply to traffic interchanged at Penobscott. The parties would agree that it was to their mutual convenience to shift the interchange onto RBMN track at Penobscott given the limited infrastructure at Lehighton and the NS trackage rights granted in this deal.

RBMN would, of course, exclude any cars handled by NS on account of RBMN to Penobscott from the car count when determining the NS trackage rights payment.

Please advise asap whether NS is willing to incorporate this provision into the trackage rights deal. Thank you.

Wayne

Subj: RE: Trackage Rights follow-up

Date: 2/22/02 4:21:45 PM Central Standard Time

From: Bill.Ingram@nscorp.com

To: Wamrail1@aol.com

CC: David.Brown2@nscorp.com, John.Edwards@nscorp.com, jmkraeme@nscorp.com, Mark.Owens@nscorp.com, Dennis.Morris@nscorp.com, dutch.tubman@nscorp.com

Sent from the Internet (Details)

Wayne:

Our offer on the trackage rights is [REDACTED]

We cannot agree to your proposal as stated on relocating the Lehighton interchange to Penobscott. We are agreeable to relocating that interchange, but only if we also renegotiate RBMN's revenue requirements. Last year RBMN obtained significant revenue increases on the Lehighton interchange business; further, relocating the interchange to Penobscott would provide RBMN with significant operating savings. Accordingly, it is only fair that we renegotiate those revenue requirements.

Wayne, we need to do a win - win deal here. If you are not willing to do that, please advise, and we will look elsewhere.

Bill Ingram

cc: NS team

-----Original Message-----

From: Wamrail1@aol.com [mailto:Wamrail1@aol.com]

Sent: Thursday, February 21, 2002 8:08 AM

To: weingram@nscorp.com

Subject: Trackage Rights follow-up

Bill,

I am working to get you the RBMN response as soon as possible.

As I ran over the meeting and the issues discussed, I realized the interchange question still needed to be resolved. Clearly, neither CP nor NS

plan on assisting in the building of a Lehighton-area run-around. Given NS' new operating plan that seems feasible. However, we all know that plans change and I am concerned that as business picks up NS may not want to put so

much power into getting up to Hazleton. Accordingly, I have come to the preliminary conclusion that the best way to ensure no operating conflicts at

Lehighton is to accept the NS proposal about moving the interchange to Penobscott.

Accordingly, I would like to know the following:

Would NS agree, as a specific part of the new trackage rights agreement, that the NS/RBMN southern Lehigh Line interchange occurs at Penobscott instead of Lehighton? Under this scenario RBMN would be obligated

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at Lehighton would apply to traffic interchanged at Penobscott. The parties would agree that it was to their mutual convenience to shift the interchange

onto RBMN track at Penobscott given the limited infrastructure at Lehighton and the NS trackage rights granted in this deal.

RBMN would, of course, exclude any cars handled by NS on account of RBMN to Penobscott from the car count when determining the NS trackage rights payment.

Please advise asap whether NS is willing to incorporate this provision into the trackage rights deal. Thank you.

Wayne

---

Subj: Lehighton Interchange  
Date: 1/31/2003 4:52:18 PM Eastern Standard Time  
From: <A HREF="mailto:tglass@readingnorthern.com">tglass@readingnorthern.com</A>  
To: <A HREF="mailto:ghkuiper@nscorp.com">ghkuiper@nscorp.com</A>  
CC: <A HREF="mailto:Wamrail1@aol.com">Wamrail1@aol.com</A>  
Sent from the Internet (Details)

George:

This will confirm our conversation from earlier today.

NS made an error at Allentown which was the reason for no cars being delivered at Lehighton this morning. NS will be running an extra to Lehighton and the cars will be there by Sunday at 08:00.

I have requested that NS return to six days per week service at the Lehighton interchange. The current amount, three times per week, is not working. RBMN needs more interchange to efficiently operate our trains and consistently provide our customers with manageable amounts of cars.

You told me you will get back to me in a few days with a response.

Tyler Glass  
cell 484-332-1001

---

Subj: Re: Lehighton Interchange  
Date: 2/3/2003 8:45:02 AM Eastern Standard Time  
From: <A HREF="mailto:tglass@readingnorthern.com">tglass@readingnorthern.com</A>  
To: <A HREF="mailto:Jerry.Hall@nscorp.com">Jerry.Hall@nscorp.com</A>  
Sent from the Internet (Details)

Jerry:

I did receive a call from George Kuiper shortly after I sent the email on Friday 1-31. NS ran an extra to deliver the cars to Lehighton and RBMN ran an extra on Sunday to keep things fluid at Lehighton.

While talking to George regarding this particular incident, I expressed a need to increase interchange frequency at Lehighton. NS decreased the interchange in late 2001, however the current interchange service is not working well for RBMN and our customers. I have requested we go back to the six day interchange service that was the standard for so many years. George said he would look in to it and get back to me in a few days

RBMN has seen an increase in traffic volumes on our Lehigh traffic. With the higher traffic volumes and minimal NS service to Lehighton, RBMN received as many as 86 cars on the interchange. RBMN can not handle such volumes efficiently and the customers are not equipped to handle larger groups of cars. When RBMN handles the larger trains, the amount of time spent at Lehighton and over the road inevitably results in delay of trackage rights trains.

RBMN is going to begin operating 6 day a week service on the Lehigh side effective Thursday 2/6. The train operating out of Jim Thorpe will be limited to 30 cars off the interchange at Lehighton, this amount of cars will allow expeditious operations and manageable amounts of cars being delivered to our customers.

I will wait to hear from George. In the meantime, feel free to contact me with any questions.

Tyler  
office 610-562-0227  
cell 484-332-1001

----- Original Message -----

> From: <A HREF="mailto:Jerry.Hall@nscorp.com">Hall, Jerry W.</A>  
> To: <A HREF="mailto:tglass@readingnorthern.com">"Tyler A. Glass"</A>  
> Sent: Friday, January 31, 2003 12:13 PM  
> Subject: RE: Lehighton Interchange

>  
>  
> Tyler:  
> Did you get an answer from George on this issue? There was a mix up in  
> communication that should not have occurred. Arrangements are being made to  
> get them on a delivery tonight. Let me apologize for any problems this may  
> have caused.  
> JWH  
>  
>> -----Original Message-----  
>> From: Tyler A. Glass [<A HREF="mailto:tglass@readingnorthern.com">mailto:tglass@readingnorthern.com</A>]  
>> Sent: Friday, January 31, 2003 10:00 AM  
>> To: ghkuiper@nscorp.com  
>> Cc: Hall, Jerry W.; Wamrail1@aol.com  
>> Subject: Lehigh Interchange  
>>  
>>  
>> George:  
>>  
>> RBMN received no interchange at Lehigh Friday 1/31. I spoke with Tom  
>> Craig at Allentown and he did not know why we did not receive any  
>> interchange. As of 09:10 when I spoke to Tom, there were 42 cars in the  
>> Allentown Yard for RBMN. We did not receive any advance notification that  
>> we wouldn't be receiving any cars. This will cause problems for RBMN and  
>> the customers early next week.  
>>  
>> Can you shed any light on this issue? When can we expect the cars? I need  
>> answers.  
>>  
>> Tyler Glass  
>> cell 484-332-1001  
>>  
>>  
>>  
>>  
>

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Subj: Lehighton Interchange  
Date: 2/11/2003 2:29:12 PM Eastern Standard Time  
From: <A HREF="mailto:tglass@readingnorthern.com">tglass@readingnorthern.com</A>  
To: <A HREF="mailto:ghkuiper@nscorp.com">ghkuiper@nscorp.com</A>  
CC: <A HREF="mailto:Wamrail1@aol.com">Wamrail1@aol.com</A>, <A HREF="mailto:Jerry.Hall@nscorp.com">Jerry.Hall@nscorp.com</A>  
Sent from the Internet (Details)

George:

I initially spoke to you on Friday, January 31 regarding increasing the Lehighton interchange frequency and you indicated that you would get back to me in a few days with a plan. I followed up with you by email on Thursday, February 6 because I had not heard anything, you replied stating that you would be talking to me on Monday (Feb. 10). Monday has passed and I have yet to hear anything. When will I be hearing the plan?

Tyler  
office 610-562-0227  
cell 484-332-1001

Subj: RE: Lehighton Interchange

Date: 2/11/2003 5:08:26 PM Eastern Standard Time

From: <A HREF="mailto:George.Kuiper@nscorp.com">George.Kuiper@nscorp.com</A>

To: <A HREF="mailto:tglass@readingnorthern.com">tglass@readingnorthern.com</A>, <A HREF="mailto:ghkuiper@nscorp.com">ghkuiper@nscorp.com</A>

CC: <A HREF="mailto:Wamrail1@aol.com">Wamrail1@aol.com</A>, <A HREF="mailto:JWHALL@nscorp.com">JWHALL@nscorp.com</A>

Sent from the Internet (Details)

We had a few things going on here that prevented me from handling your issues more promptly.

Concerning the interchange. A thought,,,,,how about we do the interchange 7 days per week at another location on the RBMN? Such as Penobscot? Using the 41T and 40T trains? This would eliminate Lehighton altogether.

-----Original Message-----

From: Tyler A. Glass [mailto:tglass@readingnorthern.com]

Sent: Tuesday, February 11, 2003 2:34 PM

To: ghkuiper@nscorp.com

Cc: Wamrail1@aol.com; Hall, Jerry W.

Subject: Lehighton Interchange

George:

I initially spoke to you on Friday, January 31 regarding increasing the Lehighton interchange frequency and you indicated that you would get back to me in a few days with a plan. I followed up with you by email on Thursday, February 6 because I had not heard anything, you replied stating that you would be talking to me on Monday (Feb. 10). Monday has passed and I have yet to hear anything. When will I be hearing the plan?

Tyler

office 610-562-0227

cell 484-332-1001

In a message dated 3/13/2003 12:19:54 PM Eastern Standard Time, jmkraeme@nscorp.com writes:

Subj: **RE: Lehighton Interchange**  
Date: 3/13/2003 12:19:54 PM Eastern Standard Time  
From: jmkraeme@nscorp.com  
To: Wamrail1@aol.com  
CC: tglass@readingnorthern.com, cstubman@nscorp.com  
*Sent from the Internet*

Wayne: Both the Chemicals and Paper team are willing to discuss the interchange relocation but want to discuss additional revenue requirements for NS for the additional length of haul. Subject to your approval to discuss the additional revenue requirements, I will ask the respective marketing teams to contact Dan or Jim. If you do not wish to pursue this further under these considerations, I understand, and will advise the teams there is no reason to advance this subject further.

JMK

CY: Dutch Tubman  
T. Glass

-----Original Message-----

**From:** Wamrail1@aol.com [mailto:Wamrail1@aol.com]  
**Sent:** Wednesday, March 12, 2003 9:56 AM  
**To:** jmkraeme@nscorp.com  
**Cc:** tglass@readingnorthern.com  
**Subject:** Re: Lehighton Interchange

John

Do we have an answer yet?

We had additional delays this weekend on the line and it becomes increasingly clear that moving the interchange will improve NS ability to serve Hazleton as well as move the trackage rights trains.

Wayne

# READING BLUE MOUNTAIN AND NORTHERN RAILROAD COMPANY

1 RAILROAD BOULEVARD P.O. BOX 218 PORT CLINTON, PA 19549  
FREIGHT DEPT. (610) 562-2100 WWW.READINGNORTHERN.COM  
PASSENGER DEPT. (610) 562-2102 OR WWW.RDMNRR.COM

March 18, 2003

Mark Owens  
Sr. Director Joint Facilities  
Norfolk Southern Corporation  
185 Spring Street, S.W.  
Atlanta, Georgia 30303

Jerry Hall  
Division Superintendent  
Harrisburg Division  
Norfolk Southern Corporation  
Suite 101  
4600 Deer Path Road  
Harrisburg, PA 17110

Gentlemen:

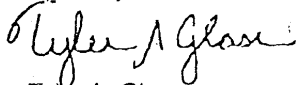
This letter is in reference to the Lehigh interchange agreement dated August 19, 1996, between Conrail and RBMN. Let this letter serve as formal notice that RBMN is exercising the right to terminate this agreement effective as of 11:59 pm on April 19, 2003.

After the termination, RBMN will make facilities available for interchange at Penobscot, PA (Lehigh main track MP 155.3, approximately 26 miles west of CP M&H Jct.)

This letter is being sent to the two of you since NS has never notified RBMN of the person to receive notices under the interchange agreement.

Please contact me with the anticipated schedule of interchange or any other pertinent information pertaining to the new interchange location(s), or if you wish to discuss the terms that will apply to the interchange and the use of RBMN tracks.

Sincerely,



Tyler A. Glass  
Vice President - Operations

cc: Wayne Michel - RBMN