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ATTORNEY GENERAL OF WASHINGTON

Transportation & Public Construction Division
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October 29, 2004

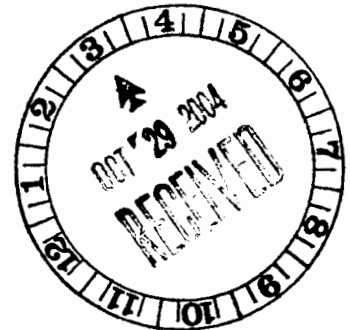
VIA HAND DELIVERY

The Honorable Vernon A. Williams
 Secretary
 Surface Transportation Board
 1925 K Street, N.W., Suite 715
 Washington, DC 20423-0001

FEE RECEIVED

OCT 29 2004

**SURFACE
 TRANSPORTATION BOARD**



**RE: Finance Docket No. 34609, State of Washington, Department
 of Transportation -- Acquisition Exemption -- Palouse River
 and Coulee City Railroad, Inc.**

Dear Secretary Williams:

Attached for filing are the original and ten copies of a Verified Notice of Exemption under 49 C.F.R. 1150.31 and a check covering the \$1,400 filing fee. Also enclosed is a 3.5-inch diskette containing the Notice and Summary.

The State of Washington, Department of Transportation ("WSDOT") hereby requests waiver of the tendered filing on grounds that WSDOT is an agency of the state of Washington and WSDOT is acquiring the physical assets of the involved rail lines in order to preserve rail service for the public in eastern Washington. WSDOT is not acquiring the assets to become a rail carrier.

Please time and date stamp the extra copy of the Notice and return it with our messenger.

If you have any questions, please contact me at (360)586-0641.

Sincerely yours,

Jeanne A. Cushman
 Assistant Attorney General

FILED

OCT 29 2004

Enclosures **SURFACE
 TRANSPORTATION BOARD**

ENTERED
 Office of Proceedings

DEC 1 2004

Part of
 Public Record

BEFORE THE
SURFACE TRANSPORTATION BOARD

FINANCE DOCKET NO. 34609

STATE OF WASHINGTON, DEPARTMENT OF TRANSPORTATION
--ACQUISITION EXEMPTION--
PALOUSE RIVER AND COULEE CITY RAILROAD, INC.

VERIFIED NOTICE OF EXEMPTION
Pursuant to 49 C.F.R. § 1150.31, Et Seq.

JEANNE A. CUSHMAN
Assistant Attorney General
Office of the Attorney General
905 Plum Street SE
Building 3
PO Box 40113
Olympia, Washington 98504
(360) 586-0641

Attorneys for: STATE OF WASHINGTON,
DEPARTMENT OF TRANSPORTATION

Dated: October 29, 2004

BEFORE THE
SURFACE TRANSPORTATION BOARD

FINANCE DOCKET NO. 34609

STATE OF WASHINGTON, DEPARTMENT OF TRANSPORTATION
--ACQUISITION EXEMPTION--
PALOUSE RIVER AND COULEE CITY RAILROAD, INC.

VERIFIED NOTICE OF EXEMPTION
Pursuant to 49 C.F.R. § 1150.31, Et Seq.

The State of Washington, Department of Transportation, an agency of the state of Washington ("WSDOT"), a non-carrier, files this Notice of Exemption pursuant to 49 C.F.R. Part 1150, Subpart D--Exempt Transactions, to acquire certain physical assets of seven (7) rail lines and the underlying rights-of-way from the Palouse River and Coulee City Railroad, Inc. ("PRCC").

WSDOT will acquire PRCC's right, title and interest in certain tracks, track materials and the underlying rights-of-way of 7 rail lines located in the state of Washington. The total distance of the line is approximately 188 miles. WSDOT will not provide rail freight service on the lines. PRCC will retain the exclusive rail freight easement to provide service on the 7 lines.

WSDOT will shortly be filing a Motion to Dismiss the Notice of Exemption in this proceeding on the grounds that the Surface Transportation Board ("Board") does not have jurisdiction over the involved purchase of certain physical assets and real property by WSDOT. *See State of Maine, Department of Transportation -- Acquisition and Operation Exemption --*

Maine Central Railroad Company, 8 I.C.C. 2d 835 (1991). For a number of reasons, the involved transaction must be consummated in the near future. Accordingly, WSDOT is utilizing this exemption procedure so that it may properly consummate the transaction before obtaining a jurisdictional determination from the Board.

In support of this Notice of Exemption, the WSDOT submits the following information as required by 49 C.F.R. § 1150.33:

(a) Full name and address of applicant:

Washington State Department of Transportation
PO Box 47387
Olympia, WA 98504-7387

(b) Applicant's Representative:

Jeanne A. Cushman
Assistant Attorney General
Office of the Attorney General
905 Plum Street SE
Building 3
PO Box 40113
Olympia, Washington 98504
(360) 586-0641

(c) Statement of Agreement:

WSDOT and PRCC are in the process of finalizing a Purchase and Sale Agreement, pursuant to which PRCC will: (1) convey to the WSDOT certain track and track structures on, and the rights-of-way underlying, the 7 rail lines; and (2) retain the permanent, exclusive rail freight easement for the operation of the 7 lines.

- (d) The operator of the property:

PRCC will retain the permanent, exclusive easement to provide rail freight service over the 7 lines.

- (e) Summary of proposed transaction:

Under the terms of the Purchase and Sale Agreement, WSDOT will acquire PRCC's interest in the real property and track and track structures on the 7 rail lines. Pursuant to the Purchase and Sale Agreement, PRCC will retain the permanent, exclusive rail freight easement over the rail lines.

- (1) The name and address of the railroad transferring the subject property is:

Palouse River and Coulee City Railroad, Inc.
315 West 3rd Street
Pittsburg, Kansas 66762

- (2) The proposed transaction between WSDOT and PRCC is expected to be consummated on or shortly after November 5, 2004.

- (3) WSDOT proposes to acquire the physical assets and underlying real estate of the following 7 rail lines located in the state of Washington:

(i) the Hooper Jct.-Winona line located between Milepost 26.6, at Hooper Junction, and Milepost 52.3, at Winona;

(ii) the Thornton-Winona line located between Milepost 0.0, at Winona, and Milepost 31.7, at Thornton;

(iii) the Winona-Endicott line located between Milepost 52.3, at Winona, and Milepost 57.9, at Endicott;

(iv) the Endicott-Colfax line located between Milepost 57.9, at Endicott, and Milepost 77.7, at Colfax;

(v) the Colfax-Moscow line located (a) between Milepost 0.0, at Colfax, and Milepost 18.7, at Pullman, and (b) between Milepost 75.9, at Pullman, and Milepost 84.05, at the Washington-Idaho State Line;

(vi) the WIM line located between Milepost 0.0, at Palouse, and Milepost 3.85, at the Washington-Idaho State Line; and

(vii) the P&L line located between Milepost 1.0, at Marshall, and Milepost 75.9, at Pullman.

(4) The length of the 7 rail lines is approximately 188 miles.

(f) A map of the 7 rail lines is attached as Exhibit A.

(g) WSDOT hereby certifies that projected revenues for WSDOT from the rail lines involved in this transaction do not exceed those that would qualify the WSDOT as a Class III rail carrier. WSDOT further certifies that its annual rail freight revenue as a result of this transaction will not exceed \$5 million. Accordingly, the requirements of 49 C.F.R. § 1150.32(e) do not apply to this transaction.

A caption summary, as required by 49 C.F.R. § 1150.34, is attached.

ENVIRONMENTAL AND HISTORIC IMPACTS

The WSDOT is acquiring the physical assets and underlying real estate of the 7 rail lines from PRCC and PRCC will continue to provide rail operations over the 7 lines. Further STB approval is required for PRCC to abandon any service, and there are no plans to dispose of or alter properties subject to STB jurisdiction that are 50 years old or older. Hence, this Notice of Exemption does not require an historic report under 49 C.F.R. § 1105.8(b)(1).

WSDOT's acquisition of the track structures and real estate will not result in significant changes in carrier operations. There will not be a diversion of: (1) more than 1,000 rail carloads

WSDOT will be filing, in the near future, a Motion to Dismiss the Notice of Exemption in this proceeding on the grounds that the Surface Transportation Board does not have jurisdiction over this transaction. *See State of Maine, Department of Transportation -- Acquisition and Operation Exemption -- Maine Central Railroad Company*, 8 I.C.C. 2d 835 (1991).

Comments must be filed with the Board and served on Jeanne A. Cushman, Assistant Attorney General, Office of the Attorney General, 905 Plum Street SE, Building 3, PO Box 40113, Olympia, Washington 98504, (360) 586-0641.

This notice is filed under 49 C.F.R. 1150.31. If the notice contains false or misleading information, the exemption is void ab initio. The filing of a petition to revoke will not automatically stay the transaction.

VERIFICATION

I, Kenneth M. Uznanski, Jr., Manager, Rail Office for Washington Department of Transportation, hereby verify under penalty of perjury that the foregoing Notice of Exemption is true and correct as stated to the best of my knowledge, information, and belief. Further, I certify that I am qualified and authorized to file this Verification on behalf of the Washington State Department of Transportation.

Executed on October 28, 2004

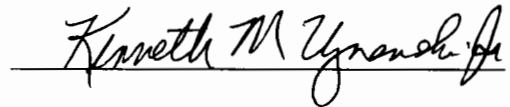
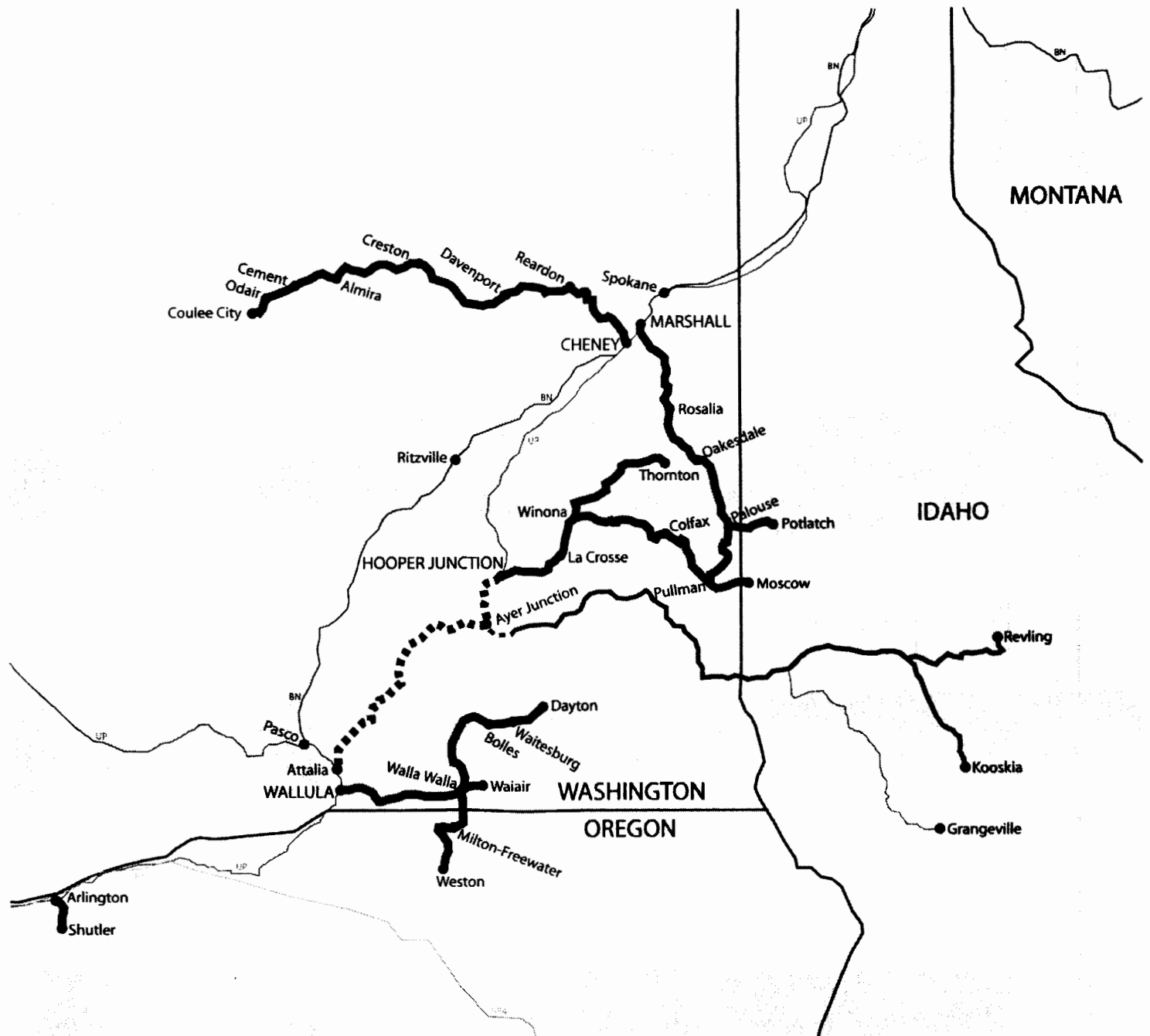
A handwritten signature in black ink, reading "Kenneth M. Uznanski, Jr.", is written over a horizontal line.

EXHIBIT A



LEGEND:

Palouse River & Coulee City RR (PCC)

Palouse River & Coulee City Trackage Rights

Great Northwest RR (GRNW)

Great Northwest Trackage Rights

BG & CM Railroad

Interchanges

UP - Hooper Junction, Wallula

BNSF - Cheney, Marshall

SURFACE TRANSPORTATION BOARD

NOTICE OF EXEMPTION

FINANCE DOCKET NO. 34609

STATE OF WASHINGTON, DEPARTMENT OF TRANSPORTATION
--ACQUISITION EXEMPTION--
PALOUSE RIVER AND COULEE CITY RAILROAD, INC.

The State of Washington, Department of Transportation, an agency of the state of Washington (WSDOT), a non-carrier, has filed a verified notice of exemption under 49 CFR 1150.31 to acquire the physical assets of seven (7) rail lines and the underlying rights-of-way from the Palouse River and Coulee City Railroad, Inc. (PRCC). The rail lines are located in the state of Washington as follows: (1) the Hooper Jct.-Winona line located between Milepost 26.6, at Hooper Junction, and Milepost 52.3, at Winona; (2) the Thornton-Winona line located between Milepost 0.0, at Winona, and Milepost 31.7, at Thornton; (3) the Winona-Endicott line located between Milepost 52.3, at Winona, and Milepost 57.9, at Endicott; (4) the Endicott-Colfax line located between Milepost 57.9, at Endicott, and Milepost 77.7, at Colfax; (5) the Colfax-Moscow line located (a) between Milepost 0.0, at Colfax, and Milepost 18.7, at Pullman, and (b) between Milepost 75.9, at Pullman, and Milepost 84.05, at the Washington-Idaho State Line; (6) the WIM line located between Milepost 0.0, at Palouse, and Milepost 3.85, at the Washington-Idaho State Line; and (7) the P&L line located between Milepost 1.0, at Marshall, and Milepost 75.9, at Pullman.

PRCC will retain the permanent, exclusive easement to provide rail freight service over the seven rail lines.

a year to motor carriage; or (2) an average of 50 carloads per mile per year for any part of this line to motor carriage. This transaction will not result in: (1) an increase in rail traffic of at least 100 percent or an increase of at least eight trains a day on any segment of the line; (2) an increase of rail yard activity of at least 100 percent; or (3) an average increase in truck traffic of more than 10 percent of the average daily traffic or 50 vehicles a day. Also, the thresholds of 49 C.F.R. § 1105.7(e)(5)(ii) will not be exceeded as a result of the WSDOT's acquisition. Finally, the transportation of ozone depleting materials is not contemplated. Therefore, no environmental documentation is required under 49 C.F.R. § 1105.6(c)(2).

This action will not significantly affect either the quality of the human environment or energy conservation.

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'JAC', followed by a horizontal line.

JEANNE A. CUSHMAN
Assistant Attorney General
Office of the Attorney General
905 Plum Street SE
Building 3
PO Box 40113
Olympia, Washington 98504
(360) 586-0641

Attorney for: STATE OF WASHINGTON,
DEPARTMENT OF TRANSPORTATION

Dated: October 29, 2004