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THOMAS F. MCFARLAND

October 30, 2006

By UPS overnight

Vernon A. Williams, Secretary
Surface Transportation Board
Case Control Unit, Suite 713
1925 K Street, N.W.
Washington, DC 20423-0001

ENTERED
Office of Proceedings

OCT 31 2006

Part of
Public Record

Re: Finance Docket No. 34917, *Pioneer Industrial Railway Co. -- Alternative Rail Service -- Central Illinois Railroad Company*

Dear Mr. Williams:

In behalf of Respondent Central Illinois Railroad Company (CIRY), I am attaching (as Appendix 1) a response of O'Brien Steel Service (O'Brien) to a filing by Pioneer Industrial Railway Co. (PIRY) on October 25, 2006. Ten copies of that response and this communication are hereby filed. All parties of record are being served.

In a verified statement that was part of PIRY's October 25 filing, PIRY President J. Michael Carr said (at 5):

First, I would like to point out the PIRY has asked for directed service to Carver Lumber Company, not O'Brien.

In light of that statement, PIRY's Petition to Provide Alternative Rail Service, filed July 27, 2006, should be amended to exclude the trackage that is used and required to provide rail service to O'Brien. That trackage is between the beginning of the Kellar Branch at point of connection to Tazewell & Peoria Railroad Company (T&P) at Milepost No. 1.71, and Milepost No. 2.21 as shown on a map attached to this communication as Appendix 2, a distance of one-half of a mile. Instead, PIRY's Petition to Provide Alternative Rail Service is filed to apply to the entire Kellar Branch beginning at the point of connection to T&P at Milepost No. 1.71. (Petition at 1). If the Petition were to be granted as so filed, it would not be possible for a rail carrier other than PIRY to provide rail service to O'Brien. If PIRY means what Mr. Carr says --- that PIRY is not asking for alternative rail service to O'Brien --- PIRY should not object to an amendment of the Petition to exclude alternative rail service to trackage between Milepost Nos. 1.71 and 2.21.

THOMAS F. MCFARLAND

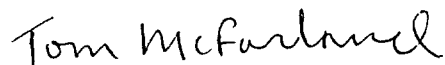
Vernon A. Williams, Secretary

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CIRY is aware that on October 17, 2006, Carver Lumber Company (Carver) filed yet another unauthorized filing in this matter. CIRY's ability to respond to that filing has been constrained by the unavailability of personnel having knowledge of the facts in relation to the allegations in Carver's filing. CIRY will respond to the Carver filing as soon as possible.

Very truly yours,



Thomas F. McFarland
*Attorney for Central Illinois
Railroad Company*

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cc: Williams Mullins, Esq.
Daniel A. LaKemper, Esq.
Randall A. Ray, Esq.
Mr. J.P. O'Brien
Mr. Lee Miller



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APPENDIX 1

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Mr. Vernon A. Williams, Secretary
Surface Transportation Board
Case Control Suite, Unit 713
1925 K Street, N.W.
Washington, D.C. 20423-0001

RE: Response to Pioneer
Finance Docket 34917, Pioneer Industrial Railway Co. – Alternative Rail
Service – Central Illinois Railroad Co.

October 26, 2006

Dear Sir:

I feel compelled to clear up some of the misperceptions that may be inferred upon reading the Pioneer's "Response to O'Brien Steel Service" dated October 25, 2006. I am not an attorney and am quickly recognizing I may be out of my element in this matter. As such, I have asked for legal assistance from the counsel to assist in completing this filing. However, the contents of this letter are totally my own.

1. Mr. Carr is wrong in stating that I "could not" offer a single instance of Pioneer service problems. I would characterize my response as I "chose not" to offer a single instance of Pioneer service problems. I felt threatened by Mr. Carr's call when he referred to my October 18th, 2006 letter to the STB as being "slanderous" and used the term "libel". I thought it inappropriate that Mr. Carr called me directly and decided the less I said to him the better.
2. O'Brien Steel takes exception with Ms. Bridson's statement that Pioneer "always did exactly what they (O'Brien) wanted". However, in the more than one year plus since Pioneer discontinued providing rail service to O'Brien Steel, we concede specific dates and times cannot be provided if that is what is required. It was never contemplated that documenting the transgressions of rail service providers at the time of occurrence would have merit at some point in the future.
3. Mr. Carr mentioned during his call that he thought the problem between Pioneer and O'Brien was related to demurrage charges. He went on to say that he has demurrage charge issues with "most" (or "all" – I cannot recall specifically)

of his customers. While O'Brien Steel acknowledges we had become very frustrated with Pioneer's demurrage charges, we did not have that same level of frustration with either the P&PU (Pioneer's predecessor) and do not have it with CIRY (Pioneer's successor). We cannot dispute the amount claimed by Mr. Carr of \$1380 as we would not any longer have practical access to those records. O'Brien Steel would not typically be concerned with demurrage charges in the amount of \$1380 during any normal 2.5 year period. However, the time period cited by Mr. Carr (January 2003 through July 2005) is reflective of near historic low volume of rail shipments to O'Brien Steel due to the prevailing economic conditions. It would be insightful to have Mr. Carr expand his analysis to include all of the years Pioneer served O'Brien Steel. Such an analysis would more accurately reflect Pioneer's aggressive issuance of demurrage charges. Of greater concern to O'Brien Steel was Pioneer's methods and tariffs used to accrue demurrage charges and their intransigence in working cooperatively with us to mitigate future demurrage charges on a long term basis.

4. Admittedly, O'Brien Steel is a growing business and has hopes of expansion plans in the immediate area of our facility consistent with our previous growth. However, all future expansion plans at the existing location will be limited by public infrastructure including the Kellar Branch, a Greater Peoria Sanitary District (GPSD) sanitary sewer easement, an Illinois Department of Transportation (IDOT) highway, a P&PU line and City of Peoria streets and alleys. Effectively, O'Brien Steel is landlocked. There are no current or contemplated expansion plans that have included making the Kellar Branch a "private in-plant rail line." If the Kellar Branch were to be vacated as suggested by Mr. Carr, the expansion he implies could still not be implemented without a concomitant vacating of the street that serves the Detweiller Marina by the City of Peoria and a 39" sewer trunk line by the Greater Peoria Sanitary District. I have confidence you would be able confirm that neither of those vacations will ever occur.

5. O'Brien Steel was indeed made aware by the City of Peoria of the potential change to rail service along the Kellar Branch. As a result of that notification a letter voicing that concern was sent to the STB dated October 18, 2006. Although the letter was reviewed by City of Peoria Corporation Counsel prior to submission directly to the STB, the contents were drafted without input from or modification by the City of Peoria or its counsel.

6. O'Brien Steel participated in a redevelopment agreement with the City of Peoria in calendar year 2000. Earlier this year (May, 2006) O'Brien Steel had completed another, larger and more significant expansion project on our current site without involvement (i.e. financial assistance) from the City of Peoria (excluding the standard City sharing of cost related to sidewalk replacement). Both projects with combined investments of more than \$6MM have significantly increased the importance of rail service into our facility. O'Brien Steel is not

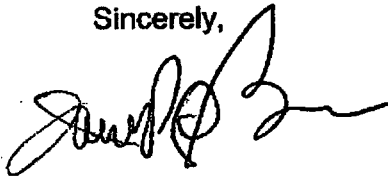
currently seeking assistance (financial or otherwise) from the City with respect to any contemplated expansion plans in the immediate area of the Kellar Branch. Pg 3 of 4

7. Mr. Carr's statement that "the Ciry does not currently switch O'Brien" is inaccurate and wrong. Further, O'Brien Steel is not aware of TZPR providing the interchange service between TZPR and O'Brien Steel and, in fact, believes that TZPR equipment has never crossed Caroline Street (which is required to service the O'Brien Steel siding). Finally, O'Brien Steel does not lease Ciry's trackmobile.

8. Mr. Carr has asserted that O'Brien Steel does not pay anything to Ciry for service. By this it is presumed he means to say Ciry does not invoice O'Brien Steel for service rendered. That is a correct assertion. However, while O'Brien Steel is not aware of the mechanism by which Ciry receives revenue for service provided to O'Brien Steel, it is presumed a portion of the prepaid freight charges paid to our steel supplier's ultimately winds up paying the Ciry for its interchange service. The current payment mechanism to Ciry for rail service is no different than the mechanism that was in effect when both the Pioneer and their predecessor, the P&PU, served O'Brien Steel.

Had the Pioneer made a greater effort to work with O'Brien Steel in a productive manner during the many years we were an active customer, O'Brien Steel would not have basis for objection to Pioneer providing rail service to our facility. From the tone of Pioneer's response and based upon our previous working relationship, we believe Pioneer has now taken a hostile position leading to serious concerns about Pioneer's commitment to providing long term, reliable, cost effective rail service to O'Brien Steel should Pioneer once again be allowed to service our facility. Confirming my previous letter to the Surface Transportation Board dated October 18th, 2006, O'Brien Steel is very satisfied with our current rail service provider and strongly opposed to being forced to accept service from Pioneer Industrial Railway.

Sincerely,



J.P. O'Brien
President

Cc: via regular mail
William A. Mullins, Esq.
David C. Reeves, Esq.
Baker & Miller, PLLC
2401 Pennsylvania Ave, N.W.

Washington, D.C. 20037

APPENDIX 1
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Daniel A. LaKemper, Esq.
Pioneer Industrial Railway Co.
1318 S. Johanson Road
Peoria, IL 61607

Randall A. Ray, Esq.
Corporation Counsel
City of Peoria
419 Fulton Street
Peoria, IL 61602

APPENDIX 2

CITY OF PEORIA WESTERN CONNECTION

UNION PACIFIC RR

END ABANDONMENT
NORTH LINE CANDLETREE DRIVE
M.P. 8.50

BEGIN ABANDONMENT
NORTH LINE JEFFERSON STREET
M.P. 2.21

TAZEWELL AND PEORIA RR