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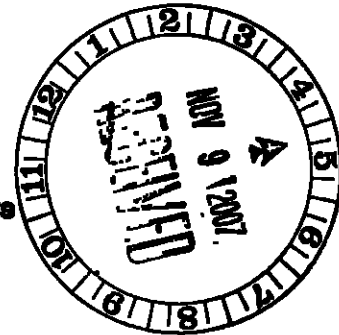
CN-4

November 9, 2007

BY HAND

The Honorable Vernon A. Williams, Secretary
Surface Transportation Board
Office of the Secretary
395 E Street, S.W.
Washington, DC 20423-0001

ENTERED
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Public Record



**Re: Canadian National Railway Company and Grand Trunk Corporation –
Control – EJ&E West Company (STB Finance Docket No. 35087)**

Dear Mr. Williams:

Enclosed are the signed originals of statements of Consumers Energy Company, ERCO Worldwide, and Millar Western Forest Products Ltd., in support of the transaction proposed in the Railroad Control Application (CN-2, filed October 30, 2007). Copies of these statements were included on pages 313, 317, and 325-26 of the Application as filed

Also, please note the following errata to the Railroad Control Application:

page 24, footnote 10, lines 12-13: change “Verified Statement of Gerald P. Radloff at 16” to “Verified Statement of Gerald P. Radloff, below, at 75”;

page 26, line 4: change “9,737” to “9,695”;

page 26, line 5: change “\$14.86 million” to “\$14.12 million”;

page 95, line 19: change “in paragraph 10” to “on pages 86-87”;

page 177, line 1: change “footnote 2” to “footnote 32 on page 80”;

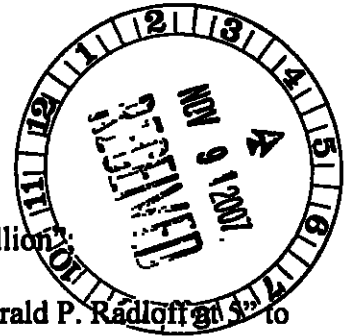
page 192, line 3: change ““9,737” to “9,695”; change “\$14.86 million” to “\$14.12 million”;

page 197, line 4: change “9,737” to “9,695”;

HARKINS CUNNINGHAM LLP

Attorneys at Law

The Honorable Vernon A. Williams
November 9, 2007
Page 2



page 197, line 7: change "\$14.86 million" to "\$14.12 million";

page 219, lines 15-16: change "Verified Statement of Gerald P. Radloff, at 63-64 n.20," to "Verified Statement of Gerald P. Radloff, above, at 63-64 n.20),

page 243: substitute the enclosed corrected page;

page 523: substitute the enclosed corrected page.

Corrected copies of all pages containing these errata are enclosed.

We have discovered that, contrary to the representation on page 513 of the Application, the color figures included in Appendix C of the Application (pages 514-26) do not clearly indicate the page numbers of the black-and-white analogs to the color figures. We have addressed this omission by providing a corrected copy of page 513, which includes a table indicating the black-and-white page in the body of the Application which corresponds with each color figure.

The page numbers on the corrected pages enclosed with this letter have the suffix "-E" to distinguish them from the pages originally included in the Application. (Thus, for example, corrected page 24 is paginated as "24-E".)

Finally, we would note that each paragraph in the body of the Verified Statement of Christopher A. Velturo, Ph.D. (pages 80-100) should have been numbered consecutively (from 1 to 42), but the paragraph numbers were inadvertently omitted because of a technical error that occurred when the Application was compiled for printing. As a result of this omission, the reference to "paragraph 10" in line 19 of page 95 of Dr. Velturo's statement has become confusing, and has been changed, as indicated above, to refer instead to "pages 86-87."

We regret any inconvenience caused by the errors identified above.

Very truly yours,

Paul A. Cunningham
Counsel for Canadian National Railway Company
and Grand Trunk Corporation

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The Honorable Vernon A. Williams

November 9, 2007

Page 3

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Enclosures

cc: All Parties of Record

**VERIFIED STATEMENT
OF
BRIAN D. GALLAWAY
On behalf of
CONSUMERS ENERGY COMPANY**

My name is Brian D. Gallaway and I am employed by Consumers Energy Company as its Fuels Transportation and Planning Director. My business address is 1945 West Painall Road, Jackson, Michigan, 49201. In my current position that I have held for the past five years, I am responsible for planning the amount of coal, natural gas, and oil needed to fuel Consumers Energy Company's fossil fuel burning generation fleet as well as procuring and managing the transportation of this fuel from supplier to each respective generating plant.

Consumers Energy Company is a Michigan public utility that provides natural gas and electricity to nearly 65% of the state's 10 million residents in all Lower Peninsula counties. It owns and operates 2,858 MWs of coal fueled generation and burns approximately 8 million tons of Powder River Basin ("PRB") coal that traverses through the Chicago area annually.

The Canadian National Railway ("CN") services two of Consumers Energy's four major coal fueled generating complexes – the Karm/Wecdock generating complex and the Whiting generating plant. CN currently delivers 1.5 million tons of PRB coal to these two generating sites.

Consumers Energy strongly supports the proposed acquisition of certain Elgin, Joliet & Eastern ("EJ&E") assets by CN. This acquisition should help relieve rail congestion in downtown Chicago and improve PRB coal transportation services to our Karm/Weadock and Whiting generating sites. It is estimated that over 100 of our coal unit trains per year will be able to transition around Chicago, avoiding downtown rail traffic, with the acquisition of the EJ&E by CN. This should not only improve cycle time for Consumers Energy PRB coal movements on CN's rail, but reduce rail congestion in Chicago for other rail customers, which will also provide indirect benefits for PRB coal delivery to our other plants. Consumers Energy expects that this acquisition will also make CN more competitive. Consistent with Consumers Energy's understanding of current STB merger policy, we would expect to see the benefits of this increased competition, together with the increased efficiency, translate into lower rates for CN coal service to Consumers' facilities. The proposed acquisition of the EJ&E by CN should provide meaningful benefits to Consumers Energy.

STATE OF MICHIGAN)
) ss
COUNTY OF JACKSON)

Brian D Gallaway, being first duly sworn, deposes and says that he has read the foregoing document, knows the facts asserted therein, and that the same are true as stated to the best of his knowledge

at the same are true as stated to the best of

 Brian D Gallaway

Subscribed and sworn to before me this October 25, 2007.

Lucinda A. Burgener
Notary Public

State of Michigan, Jackson County
My Commission Expires: 7-18-2011
Acting in the County of Jackson

LUCINDA A. BUYOENER
- NOTARY PUBLIC, STATE OF MI
COUNTY OF JACKSON
MY COMMISSION EXPIRES Jul 10, 2011
ACTING IN COUNTY OF Jackson

**VERIFIED STATEMENT OF
SCOTT SINCLAIR
On behalf of Erco Worldwide**

My name is Scott Sinclair. I am the logistics Manager for ERCO Worldwide. I am writing to express the support of ERCO Worldwide for Canadian National's proposed acquisition of EJ&E West Company.

Our company is a chemical manufacturer with 8 plants spread throughout North America. Our largest plant in Port Edwards, WI would be most affected by this acquisition. The plant is served by CN and is an important supplier of chloralkali products to the Midwest states. All of our equipment is privately owned and consists of tank cars and covered hoppers. Our traffic patterns are primarily Midwest USA, most through the Chicago interchange, with some traffic to the east and west coast. 75% of our production is shipped by rail.

ERCO Worldwide understands that Canadian National is requesting authority to acquire and operate the EJ&E West Company. We strongly support this application, as the combined company would offer improved efficiency and greater effective capacity for movements through the Chicago area. ERCO Worldwide should benefit from these improvements through increased asset utilization with decreased transit times. By allowing additional traffic to be routed around downtown Chicago, there should be a substantial decrease on overall transit times. ERCO Worldwide will be able to take advantage of single-line service for movements to and from points on the EJ&E lines to be acquired by CN.

We expect a smooth integration of EJ&E's assets into the CN system, given CN's prior history and experience of integrating our previous rail provider in Port Edwards, Wisconsin Central. We believe that the proposed acquisition will provide significant benefits to shippers. Our company supports the application.

I, Scott Sinclair, declare under penalty of perjury under the laws of the United States that the foregoing is true and correct. Further, I certify that I am qualified and authorized to file this verified statement. Executed on Friday, October 26, 2007.



Scott Sinclair



MILLAR WESTERN FOREST PRODUCTS LTD.

Tel 780 486 8200 Fax 780 486 8282

October 16, 2007

**VERIFIED STATEMENT
OF
GREG SIMPSON
On behalf of
MILLAR WESTERN FOREST PRODUCTS LTD.**

On behalf of Millar Western, I, Greg Simpson, Director of Logistics, am pleased to provide a statement in support of the application filed with the Surface Transportation Board (STB) by Canadian National (CN) for approval of its proposed acquisition of a newly created subsidiary of the Elgin, Johet and Eastern Railway Company (EJ&E)

My 28 years of logistics experience encompasses responsible roles with organizations including British Columbia Railway, Desticon Transportation, Wilkinson Steel and forestry companies Sitka, Welco, Noranda and Millar Western. My related post-secondary education includes the study of transportation law and regulation at the British Columbia Institute of Technology and of logistics management at York University, sales training through the North American Wholesale Lumber Association, and executive leadership training at the Niagara Institute.

As Director of Logistics, based in Millar Western's corporate head office in Edmonton, Alberta, I am responsible for conducting all logistics negotiations for the company, including those for rail, truck, container, vessel, intermodal, warehousing and other related services, and for managing all aspects of the transportation and distribution of our pulp and wood products.

Millar Western traces its beginnings to 1906, and has been active in Alberta's forest industry since 1922. The company operates three sawmills and one pulp mill in the province, in addition to the woodlands operations supplying fibre to all four facilities. We produce 480 million board feet of lumber and 300,000 tonnes of pulp each year, transporting our products to destinations in North America and around the globe. Three of our four facilities are served by CN, and CN is our main carrier to the United States and through the Chicago gateway.

Millar Western understands that CN is seeking to acquire the EJ&E West Company. We support the acquisition, believing it should be beneficial to the shipping public, in allowing direct, single-line service, the movement of increased volumes via the vital Chicago/Illinois hub, improved transit times and car cycles, and increased asset utilization. We believe CN has the resources necessary for required investments in infrastructure, and that it has demonstrated through previous acquisitions its capacity to effect a smooth integration of EJ&E's assets into the CN system.

In that the proposed acquisition of the EJ&F subsidiary promises to be of significant benefit to shippers, Millar Western strongly supports CN's application to the STB

I, Greg Simpson, declare under penalty of perjury under the laws of the United States that the foregoing is true and correct. Further, I certify that I am qualified and authorized to file this verified statement Executed on October 16, 2007.

A handwritten signature in black ink, appearing to read "Greg Simpson", is written over a horizontal line.

Greg Simpson, Director of Logistics

for EJ&E's existing traffic, the Transaction would present a low risk of implementation-related service difficulties.

EFFECTS ON COMPETITION
(SECTION 1180.6(a)(2)(i))

There would be no harm to competition from CN's acquisition of EJ&EW. As explained in the attached Verified Statement of Gerald P. Radloff, there are no shippers receiving rail service from both CN and EJ&E today for which the Transaction would reduce the number of independent railroads serving them from two to one ("2-to-1 shippers") or from three to two ("3-to-2" shippers). Thus, the Transaction would not have adverse horizontal effects on competition.

Nor would the Transaction have adverse "vertical" effects on competition.¹ Applicants would keep all gateways affected by the Transaction open on commercially reasonable terms. Applicants would also waive any defenses they might otherwise have as a result of the Transaction, under the Board's general policy that it does not separately regulate bottleneck rates, in circumstances where a shipper prior to the Transaction would have been entitled to regulation of a bottleneck rate under the Board's "contract exception" to the general rule.

¹ In theory, adverse vertical effects on competition can arise when a railroad that has market power in one geographic market merges with a connecting railroad and, as a result of the merger, extends its market power to the connecting railroad's territory, closing gateways and thus foreclosing other connecting railroads from participating in movements to or from the first railroad's service area. Such vertical effects, however, are unlikely as a matter of economic theory, *see, e.g., Western Resources, Inc. v. STB*, 109 F.3d 782, 786-90 (D.C. Cir. 1997) (describing Board's "one-lump theory" as "rel[ying] on a broadly accepted economic proposition"), and the Board has received no evidence in recent proceedings sufficient to persuade it that such effects actually do or are likely to occur. In any event, CN would not engage in such foreclosure following consummation of the CN/EJ&EW Transaction, but would keep all gateways affected by the Transaction open on commercially reasonable terms. *See* Verified Statement of Gerald P. Radloff, below, at 75.

Increase in Traffic, Revenues, and Earnings; Economics to be Effected in Operations. As explained in more detail in the Verified Statement of David A. Stuebner, Applicants estimate that the combined CN/EJ&EW would increase its participation in 9,695 carloads of traffic annually as a result of the full implementation of the proposed Transaction, resulting in additional annual gross gains of \$14.12 million. These gains are all in the form of extended haul movements, including 296 transloaded carloads. Many of these gains would benefit shippers with new single-line service.

EFFECT OF INCREASE IN TOTAL FIXED CHARGES
(SECTION 1180.6(a)(2)(iii))

As described above (see “Nature and Amount of Any New Securities or Other Financial Arrangements” (Section 1180.6(a)(1)(iv))), CN anticipates that it would finance the Transaction with debt and cash on hand. CN has the financial resources to make the approximately \$100 million worth of capital improvements which the Operating Plan anticipates would be made on the EJ&EW’s lines, within the Transaction’s three-year implementation period, in order to increase the capacity of those lines and make it possible for CN to bypass downtown Chicago to the maximum extent possible.¹²

With the addition of EJ&EW to its system, CN would continue to be a financially strong enterprise with a strong balance sheet. CN’s financial strength would enable it to meet the challenges of maintaining and enhancing its high quality rail service, improving its operations, and enhancing shareholder value.

¹² See Exhibit 15 (Operating Plan) and the accompanying Verified Statement of David L. Novak, which together describe the capital improvements which CN expects to make in implementing the Transaction.

competition,” I assess the potential for competitive issues to arise where the parties both participate in rail traffic leaving a common OBEA that travels to different DBEAs.⁴⁹

I began by identifying specific product/origin pairs (*e.g.*, broken or crushed natural stone originated from the Chicago BEA) where CN and EJ&E originate, terminate, or otherwise handle a significant portion (as identified by a “50/10” screen, described below) of the product originating from the relevant OBEA. For the purposes of this report, I defined as a candidate for a more complete competitive analysis any traffic originating from a BEA for which each of CN and EJ&E in 2005: (1) originated, terminated, or interchanged (henceforward “participated” in) 10% or more of the total carloads of a commodity originating from the BEA, if the combined share calculated on this basis without double-counting CN or EJ&E participation would have been 50% or more of total delivered volume; or (2) originated 10% or more of the total carloads of a commodity originating from a BEA, if the combined originated share of the two roads would have been 50% or more; or (3) terminated 10% or more of the total carloads of a commodity originating from a BEA, if the combined terminated share of the two roads would have been 50% or more.

The caveats I outlined on pages 86-87 with respect to source competition apply to destination competition as well.

B. Results of 50/10 Screen

The results of this screen, which I present generally in Attachment 5, indicate that there are few product/origin pairs where CN and EJ&E participate significantly in movements of the same product from the same origin to different destinations. Attachment 5 provides a list of the product/OBEA pairs that is generated after applying the participating, originating, or terminating 50/10 screen with respect

⁴⁹ I sometimes refer to the origin BEAs involved in these flows as “OBEAs” or “50/10 OBEAs” and to the traffic flows defined by the combination of a commodity and the common OBEA as “product/OBEA pairs” or “50/10 product/OBEA pairs.”

and in his previous testimony cited in footnote 32 on page 80, the relevant products have been identified by 7-digit Standard Commodity Classification Code ("STCC"), and the relevant geographic units have been identified as the Business Economic Area ("BEA"). Dr. Vellturo looked both at "source competition" (*i.e.*, potential competition between CN and EJ&E for transportation of commodities from multiple origins to a single destination; sometimes referred to as "origin competition") and "destination competition" (*i.e.*, potential competition between CN and EJ&E for transportation of commodities from a single origin to multiple destinations).⁵⁶

It should be noted the 50/10 screen, by treating all of EJ&E as a "merging railroad," was based on an unavoidable oversimplification. In fact, CN is not acquiring EJ&E as a whole, but only EJ&EW, which is that portion of the current EJ&E located to the west of Buchanan Street in Gary, IN (plus the Dixie and hump leads near Kirk Yard in Gary). The remainder of EJ&E, to be renamed the "Gary Railway," will continue to be owned by United States Steel Corporation ("USS") and will serve five customers, including USS itself, located on USS property at Gary Works. Ideally, the 50/10 screen would have treated, not all EJ&E traffic, but only traffic that would be handled by EJ&EW as belonging to the "merging railroad." The STB Waybill Sample, however,

⁵⁶ As explained in Dr. Vellturo's statement, the 50/10 screen for source competition identifies all flows of commodities for which, according to the STB Carload Waybill Sample, the merging railroads (CN and EJ&E) each participates in transportation of at least 10% of the carloads of that commodity terminating in a particular BEA, and for which the two railroads together participate in transportation of at least 50% of the carloads terminating in that BEA. (A railroad is said to "participate" in transportation of a carload if it is listed in the waybill as originating, terminating, or interchanging that movement as a line-haul carrier.) Conversely, the 50/10 screen for destination competition identifies all flows of commodities for which CN and EJ&E each participate in transportation of at least 10% of the carloads of that commodity originating in a particular BEA, and for which the two railroads together participate in transportation of at least 50% of the carloads originating in that BEA.

of CN's operating plan as well as for the Board's assessment of the potential environmental impacts of the Transaction. I estimate that CN/EJ&EW would gain extended hauls for 9,695 carloads of traffic and annual gross revenues of \$14.12 million as a result of the full implementation of the proposed Transaction.

II. SCOPE OF THE ANALYSIS

The scope of my assessment included potential traffic gains based on the proposed operation of CN and EJ&EW as a single commercially integrated system from customers that might otherwise use other rail carriers.

I considered two broad categories of traffic. First, I considered so-called "extended haul" opportunities, that is, opportunities for the combined CN/EJ&EW to increase its participation in traffic carried by CN, EJ&E, or both of these carriers in connection with another carrier (or carriers) during 2006. This includes gains to CN/EJ&EW from all or part of the non-CN/EJ&E portion of a movement. Second, I considered potential gains of entirely new business in which neither CN nor EJ&E participated in 2006.

My assessment did not address potential changes in rail traffic origin and/or destination patterns (source alternatives) or any growth or decline in traffic due to general economic conditions. I did consider potential gains of traffic originating on EJ&E that might result in the use of a rail-truck transloading facility at the destination.

V. CONCLUSIONS

In 2006, CN and EJ&E carried over 5 million total carloads. Based on the assessment described above, I estimate that CN/EJ&EW would gain extended hauls for 9,695 carloads of traffic due to the Transaction within approximately three years of consummation, including 296 transloaded carloads. Many of these gains would benefit shippers with new single-line service. I estimate the additional gross revenues attributable to these gains to be \$14.12 million. I do not anticipate any gains to CN/EJ&EW of entirely new business in which neither CN nor EJ&E had any participation in 2006. In my judgment, this is a reasonable assessment of the changes in CN/EJ&EW traffic likely to result from the Transaction.

utilize the car handling capacity that would be made available by its capital investments and changes in operating processes.

3.6 Abandonments

No abandonments are anticipated as a direct result of the Transaction. Although CN intends to re-route all its trains currently operating over the St. Charles Air Line, a formal abandonment of that Line would require coordination with BNSF and UP, which own the Line jointly with CN, and with existing users such as Amtrak.

4.0 IMPACTS ON TRAFFIC DENSITIES

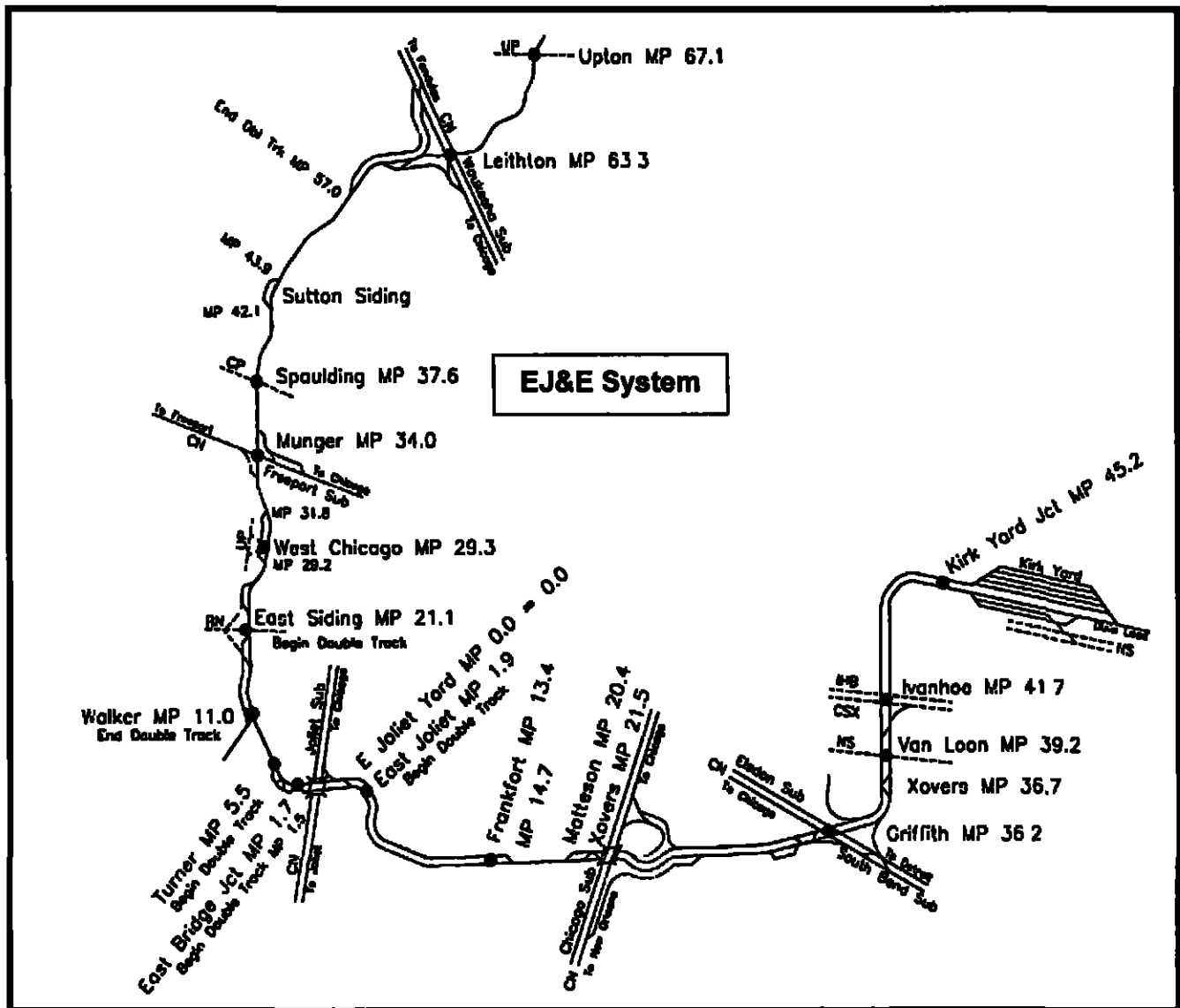
4.1 General Concept

With the coordinated use of intersecting CN and EJ&E lines, and improved track connections at Munger, Joliet, Matteson, and Griffith, CN trains that today move between CN corridors on CN's downtown Chicago lines would instead flow between those corridors over EJ&EW's lines, thereby avoiding the congestion and delay those trains experience today as they navigate City of Chicago bottlenecks. CN does not anticipate that the CN/EJ&EW Transaction would result in any traffic diversions from highway (*see* Verified Statement of Gerald P. Radloff, above, at 63-64 n.20). It does anticipate that some of the tonnage now carried by either CN or EJ&E would be carried a longer distance on the combined system (*see* Stuebner V.S.), and that additional tonnage is taken into account by this operating plan.

4.2 Trains on CN Lines

CN handles more trains on its lines inside the EJ&E arc today than it expects to handle after all the planned CN train re-routes have taken place. It expects to reduce the number of trains operating on most of the affected CN line segments inside the EJ&E arc. Attachment

FIGURE 8: Summary of EJ&E Changes



Color Figure

See Page 523

**APPENDIX C
COLOR FIGURES
(§ 1104.2(d))**

In accordance with 49 C.F.R. § 1104.2(d), and in order to facilitate automated processing of color pages, CN did not insert color pages among pages containing text, but instead attaches them here as Appendix C. The following table identifies the location of the black-and-white pages in the Application that correspond to the color figures in this Appendix.

Color Figure page	Corresponding page in body of Application
514	44
515	45
516	46
517	237
518	238
519	239
520	240
521	241
522	242
523	243
524	349
525	486
526	511

FIGURE 8: Summary of EJ&E Changes

