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June 28, 2006

VIA HAND DELIVERY

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

ENTERED
Office of Proceedings

JUN 28 2006

Part of
Public Record



**RE: Finance Docket No. 34892, State of Washington v. Palouse
River and Coulee City Railroad, Inc.**

Dear Secretary Williams:

On June 8, 2006, Palouse River and Coulee City Railroad, Inc. ("PCC") was served with a copy of the complaint in the above-captioned matter. Pursuant to the requirements of 49 C.F.R. § 1111.4(b), PCC's answer must be filed within 20 days after the service of the complaint. The complaint, however, was not filed with the Surface Transportation Board ("Board") until June 26, 2006.

The undersigned has spoken with Mr. Mark Lyon, counsel for the State of Washington, and Mr. Lyon is agreeable to PCC filing its answer within 20 days from the date the complaint was deemed filed rather than the date it was served on PCC.

Accordingly, PCC intends to answer the complaint by July 16, 2006. In the event the requirements of Section 1111.4(b) are deemed applicable in this proceeding, PCC hereby denies all allegations in the complaint filed on June 26, 2006 by the State of Washington.

If you have any questions, please contact me.

Sincerely yours,

A handwritten signature in black ink that reads "Karl Morell". The signature is written in a cursive, flowing style with a large initial "K".

Karl Morell

cc: Mark S. Lyon, Esq.