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February 20, 2004

FILED

FEB 20 2004

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

**SURFACE
TRANSPORTATION BOARD**

Re: Finance Docket No. 34475, Watco Companies, Inc. – Continuance In
Control Exemption – Great Northwest 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. § 1180.2(d)(2), and a check covering the \$1,000 filing fee.

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

If you have any questions, please call me.

Sincerely,

Karl Morell

ENTERED
Office of Proceedings

FEB 23 2004

Part of
Public Record

Enclosures

FEE RECEIVED

FEB 20 2004

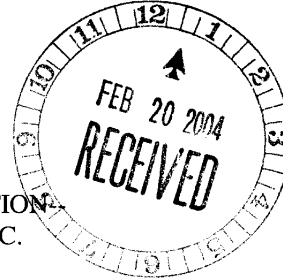
**SURFACE
TRANSPORTATION BOARD**

ORIGINAL

BEFORE THE
SURFACE TRANSPORTATION BOARD

FINANCE DOCKET NO. 34475

WATCO COMPANIES, INC.
--CONTINUANCE IN CONTROL EXEMPTION--
GREAT NORTHWEST RAILROAD, INC.



VERIFIED NOTICE OF EXEMPTION
Pursuant to 49 C.F.R. § 1180.2(d)(2)

KARL MORELL
Of Counsel
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1455 F Street, N.W.
Washington, D.C. 20005
(202) 638-3307

Attorney for:
WATCO COMPANIES, INC.

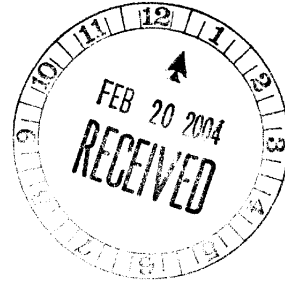
Dated: February 20, 2004

BEFORE THE
SURFACE TRANSPORTATION BOARD

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--CONTINUANCE IN CONTROL EXEMPTION--
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Pursuant to 49 C.F.R. § 1180.2(d)(2)



Watco Companies, Inc. ("Watco") files this Notice of Exemption, pursuant to 49 C.F.R. § 1180.2(d)(2), for Watco to continue in control of the Great Northwest Railroad, Inc. ("GNR"), a non-carrier, upon GNR's becoming a Class III railroad. In support of this Notice of Exemption, Watco submits the following information as required by 49 C.F.R. § 1180.4(g):

Section 1180.6(a)

- (1) A description of the proposed transaction.
 - (i) A brief summary of the proposed transaction, the name of applicants, their business address, telephone number, and the name of counsel to whom questions regarding the proposed transaction can be addressed.

Watco, a non-carrier, is a Kansas corporation which currently controls seven (7) Class III railroads operating in ten States. Watco also owns 100 percent of the issued and outstanding stock of GNR. GNR, an Idaho corporation, is a non-carrier that was formed for the purpose of acquiring the rail lines owned by the Camas Prairie RailNet, Inc. ("CPR"). Concurrently with the filing of this Notice of Exemption, GNR is filing a Notice of Exemption in STB Finance Docket

No. 34474, *Great Northwest Railroad, Inc. – Acquisition Exemption – Camas Prairie RailNet, Inc.*, under 49 C.F.R. § 1150.31, to acquire and operate CPR's rail lines. Upon consummation of the transaction in STB Finance Docket No. 34474, GNR will become a Class III carrier.

Watco also controls, through stock ownership and management, the South Kansas and Oklahoma Railroad Company ("SKO"), Palouse River & Coulee City Railroad, Inc. ("PRCC"), the Timber Rock Railroad, Inc. ("TIBR"), the Stillwater Central Railroad ("SLWC"), the Eastern Idaho Railroad, Inc. ("EIRR"), Kansas & Oklahoma Railroad, Inc. ("K&O"), and the Pennsylvania Southwestern Railroad, Inc. ("PSWR"). SKO, PRCC, TIBR, SLWC, EIRR, K&O and PSWR are Class III carriers which operate rail lines in ten States.

The rail lines operated by SKO, PRCC, TIBR, SLWC, EIRR, K&O and PSWR do not connect with the rail lines being acquired by GNR. The rail lines being acquired by GNR are located in the States of Idaho and Washington. EIRR owns and operates rail lines in the State of Idaho and PRCC owns and operates rail lines in the States of Idaho and Washington. EIRR's rail lines are located in the eastern and mid-southern parts of Idaho, and are a substantial distance from the lines being acquired by GNR. The Idaho lines being acquired by GNR extend generally eastward from Lewiston to Jaype and Kooskia. The PRCC's Idaho line extends westward from Potlatch, ID some 50 miles north of the Lewiston-Jaype line being acquired by GNR.

In the State of Washington, PRCC owns and operates several branch lines north of Hooper, WA and east of Wallula, WA. PRCC also has operating rights over the UP rail line between Attalia, WA, and Hooper, WA, which traverses Ayer, WA. Those rights, however, are limited to overhead movements of grain and do not permit the interchange of traffic along the route. The Washington rail line being acquired by GNR extends eastward from Riparia, WA to Lewiston. The incidental overhead trackage rights being acquired by GNR are over the UP line

located between Riparia and Ayer. Those trackage rights, however, are limited to traffic being interchanged by GNR with either UP or BNSF and, thus, preclude any direct interchange of traffic between GNR and PRCC.

Accordingly, the PRCC rail lines will not directly connect with the GNR rail lines. Any rail service performed between Attalia and Hooper by PRCC is limited to overhead shipments of grain. Similarly, the rail operations by GNR between Riparia and Ayer over the trackage rights line are limited to interchanges with UP and BNSF and preclude any interchange with PRCC.

Also, the involved transaction is not part of a series of anticipated transactions that would connect the rail lines being acquired by GNR with any railroad in the Watco corporate family.

Finally, neither GNR nor any of the carriers controlled by Watco are Class I rail carriers.

Accordingly, this transaction falls within the class of transactions described at 49 C.F.R.

§ 1180.2(d)(2), and exempt from prior approval by the Surface Transportation Board ("Board").

The name and business address of Applicant are as follows:

Watco Companies, Inc.
315 W. 3rd Street
Pittsburg, KS 66762

Applicant's representative:

Karl Morell
Of Counsel
Ball Janik LLP
1455 F Street, N.W.
Suite 225
Washington, D.C. 20005
(202) 638-3307

(ii) The proposed time schedule for consummation of the proposed transaction.

Watco intends to consummate this transaction on or shortly after February 27, 2004.

- (iii) The purpose sought to be accomplished by the proposed transaction.

Watco intends to reduce overhead expenses, coordinate billing, maintenance, mechanical and personnel policies and practices of its rail carrier subsidiaries and thereby improve the overall efficiency of rail service provided by the eight railroads.

- (5) A list of the State(s) in which any part of the property of each applicant carrier is situated.

SKO's lines are located in Missouri, Kansas and Oklahoma.

EIRR's lines are located in Idaho.

PRCC's lines are located in Washington, Oregon and Idaho.

TIBR's lines are located in Texas and Louisiana.

SLWC's lines are located in Oklahoma.

K&O's lines are located in Kansas and Colorado.

PSWR's line is located in Pennsylvania.

Upon acquiring the lines from CPR, GNR will own and operate rail lines in Idaho and Washington.

- (6) Map.

Maps illustrating the rail lines of SKO, PRCC, TIBR, SLWC, EIRR, K&O and PSWR and the rail lines to be acquired by GNR are attached as Exhibit 1.

- (7)(ii) Agreement.

Watco will not enter into any agreement, or sign any written instrument, to continue in control of GNR.

Because SKO, PRCC, TIBR, SLWC, EIRR, K&O and PSWR are Class III carriers and GNR will become a Class III rail carrier upon the acquisition of the rail lines from CPR, no labor protection may be imposed on this transaction pursuant to 49 U.S.C. § 11326(c).

ENVIRONMENTAL AND HISTORIC IMPACTS

Watco will continue to control GNR for the purpose of continued rail operations where further Board approval is required to abandon or discontinue any service, and there are no plans to dispose of or alter properties subject to the Board's 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).

Watco's continuance in control of GNR will not result in significant changes in carrier operations. There will not be a diversion of: (1) more than 1,000 rail carloads a year to motor carriage; or (2) an average of 50 carloads per mile per year for any part of these lines 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 lines; (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. This transaction will not affect a Class I or nonattainment area under the Clean Air Act. In any event, the thresholds of 49 C.F.R. § 1105.7(e)(5)(ii) will not be exceeded. Finally, this transaction does not contemplate the transportation of any ozone depleting materials. 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 cursive script, reading "Karl Morell", written over a horizontal line.

KARL MORELL
Of Counsel
BALL JANIK LLP
1455 F Street, N.W.
Suite 225
Washington, D.C. 20005
(202) 638-3307

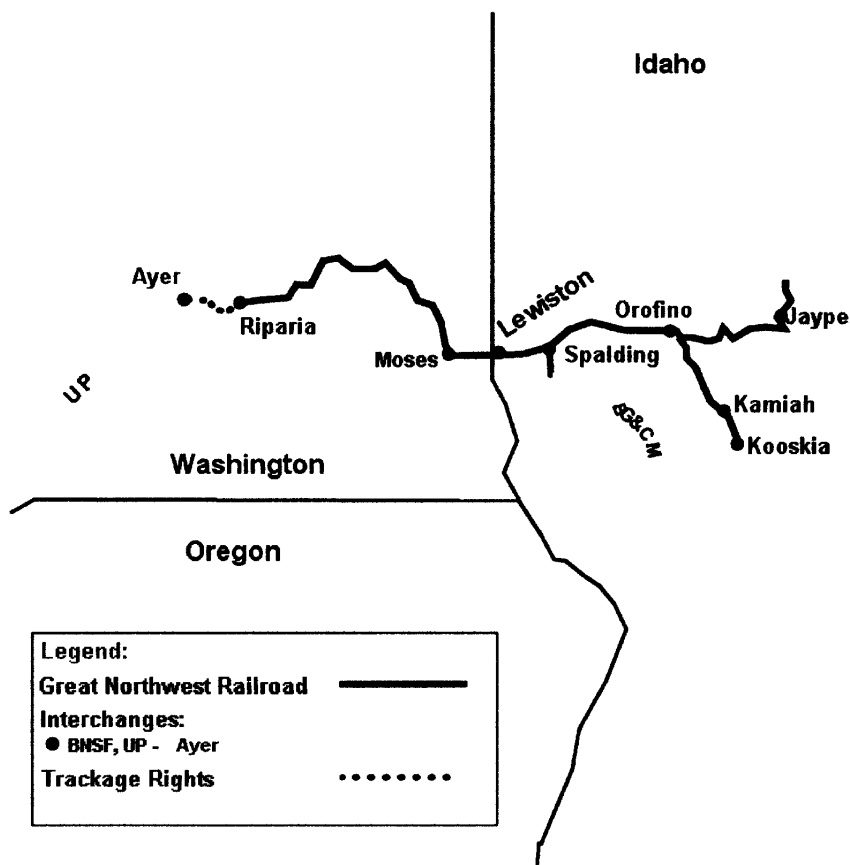
Attorney for:
WATCO COMPANIES, INC.

Dated: February 20, 2004

EXHIBIT 1



WATCO
COMPANIES, INC.
"Your Transportation Specialists"



LEGEND:

Palouse River & Coulee City RR (PCC) —————

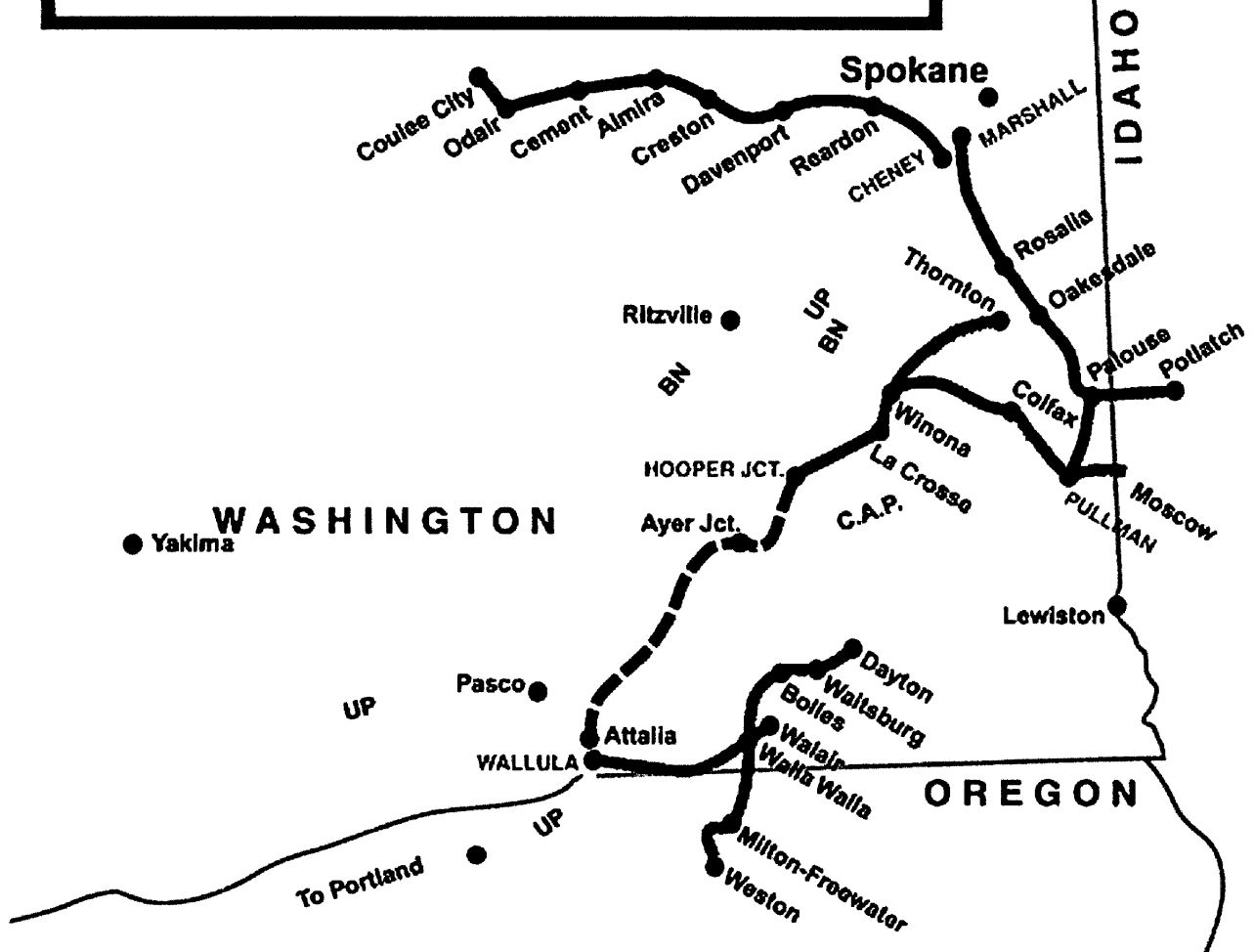
Interchanges

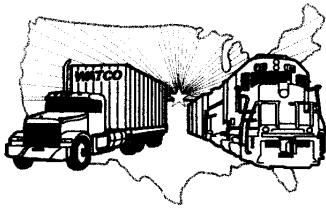
- BNSF - CHENEY, MARSHALL
- BLMR - PULLMAN

Interchanges

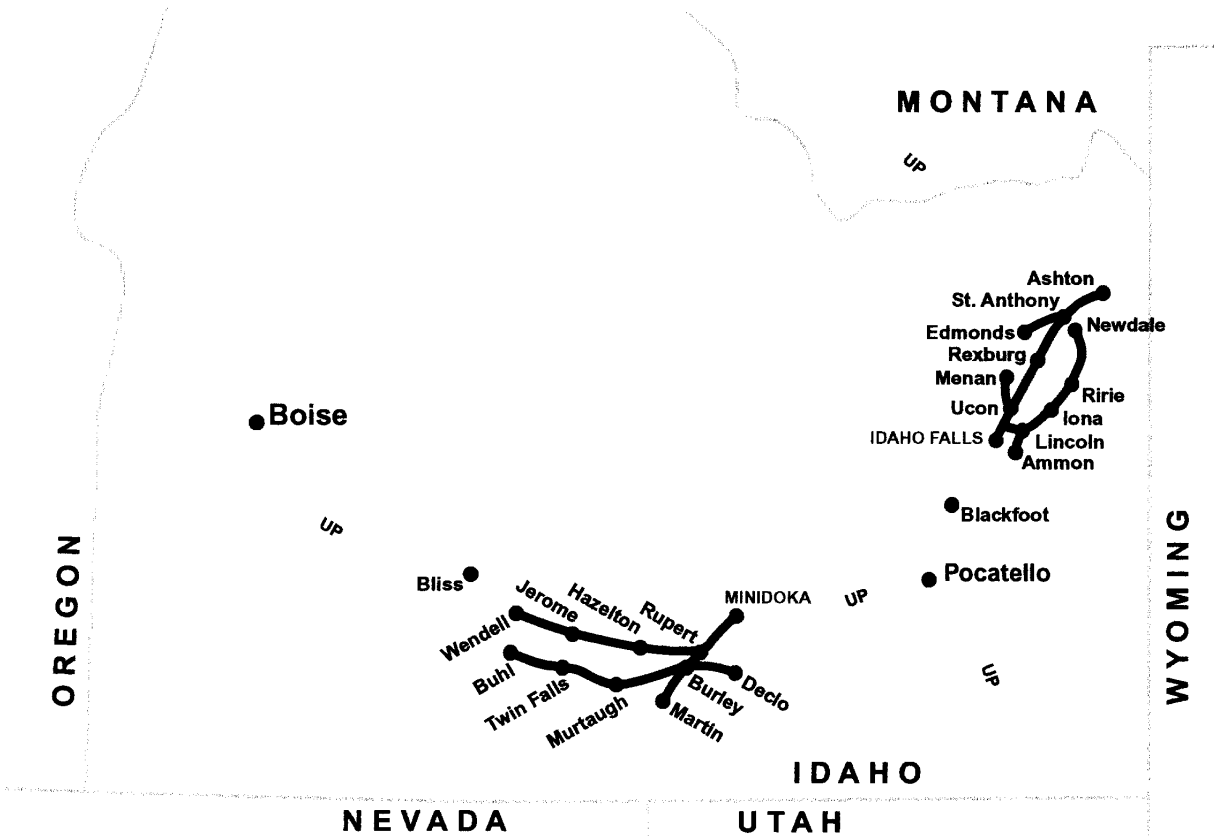
- UP - HOOPER JCT., WALLULA
- PCC - PULLMAN

Haulage Rights - - - - -





WATCO
COMPANIES, INC.
"Your Transportation Specialists"

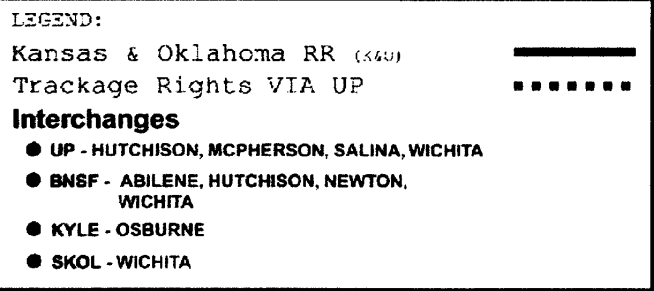


LEGEND:

Eastern Idaho RR (EIRR) —————

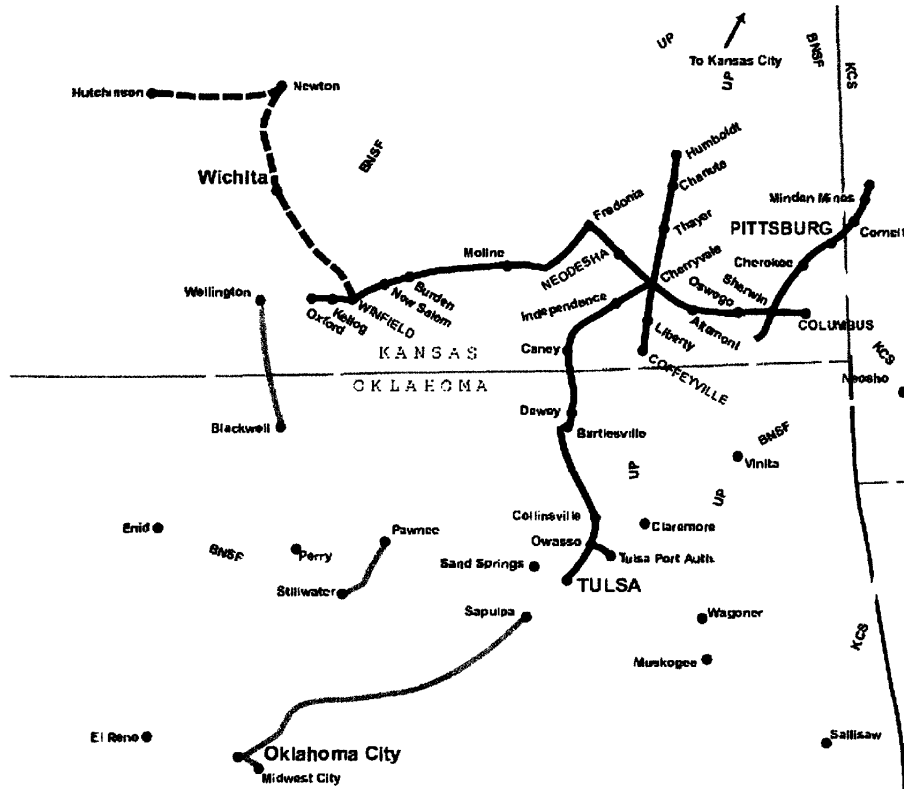
Interchanges

● UP - MINIDOKA, IDAHO FALLS





WATCO
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Legend:

South Kansas & Oklahoma RR (SKOL) —————

Trackage Rights (UP/SKOL Agency Agreement) - - - - -

Operating Rights (for State of Oklahoma)

Interchanges

● UP - COFFEYVILLE, WINFIELD, TULSA, NEODESHA

● BNSF - WINFIELD, TULSA, COLUMBUS

● KCS - PITTSBURG



WATCO
COMPANIES, INC.
"Your Transportation Specialists"



LEGEND:

Timber Rock RR (TBR)

Interchanges

BNSF - Tenaha, Silsbee

KCS - DeRidder

ARKANSAS

● Shreveport

TEXAS

LOUISIANA



OH

WV

PA

Midland

Rochester

Conway

Pittsburgh

Mingo Jct

Legend:

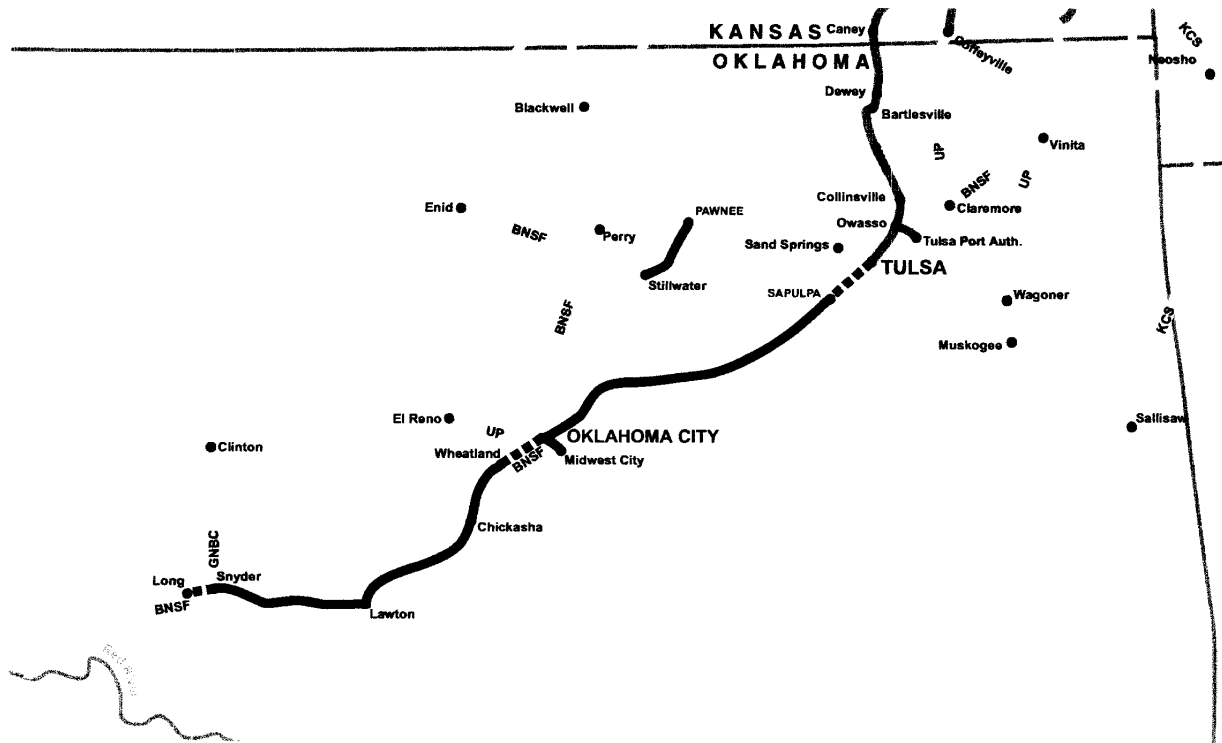
Pennsylvania Southwestern RR

Interchanges:

• NS - Midland

Stillwater Central

WHERE
OKLAHOMA
BEGAN



LEGEND:

Stillwater Central RR (SLWC) —————

Trackage Rights —————

Interchanges

- BNSF - PAWNEE, SAPULPA, OKLAHOMA CITY, SNYDER
- UP - OKLAHOMA CITY
- GNBC - SNYDER

VERIFICATION

STATE OF KANSAS

)

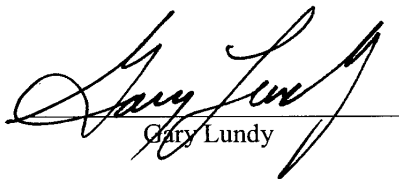
SS.

COUNTY OF CRAWFORD

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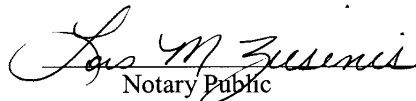
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I, Gary Lundy, being duly sworn depose and state that I am Executive Vice President of Watco Companies, Inc., that I am authorized to make this verification, and that I have read the foregoing Notice of Exemption and know the facts asserted therein are true and accurate as stated to the best of my knowledge, information, and belief.


Gary Lundy

SUBSCRIBED AND SWORN TO before me this 18th day of February, 2004, in the County of Crawford, State of Kansas.

My Commission Expires: 5-7-05


Notary Public

