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August 9, 2002

VIA FEDERAL EXPRESS

Mr. Vernon A. Williams
Secretary
Surface Transportation Board
1925 K Street, N.W., Room 700
Washington, DC 20006

206019



Re: **Finance Docket No. 34177**
Iowa, Chicago & Eastern Railroad Corporation – Acquisition
and Operation Exemption – Lines of I&M Rail Link, LLC

Dear Secretary Williams:

Iowa, Chicago & Eastern Railroad Corporation ("IC&E") hereby files this brief further reply to the petition to revoke exemption, dated July 18, 2002, of Arkansas Electric Cooperative Corporation ("AECC"). IC&E provided an initial response to the AECC petition by letter dated July 19, 2002. IC&E requests leave to file this reply five days beyond the normal twenty-day period for responding to revocation petitions. Counsel for AECC has been advised of this request, and has indicated that he does not object to this brief extension.

Nearly all of AECC's arguments were addressed in IC&E's July 19th letter reply or rendered moot by the Board's stay decision served July 22, 2002. As IC&E has previously explained, AECC is concerned solely with how a combination of IC&E and Dakota, Minnesota & Eastern Railroad Corporation ("DM&E") -- in further combination with DM&E's proposal to construct a rail line into the Powder River Basin coal fields of Wyoming -- might affect AECC's own notion of re-constructing a rail line across northern Nebraska to reach the PRB. Such matters relate at best only to the proceeding that will shortly be instituted in Finance Docket No. 34178 to consider the common control of IC&E and DM&E. If relevant at all, AECC's purported concerns and self-serving contentions can be fully addressed there.

Thus, while AECC's arguments all lack merit, IC&E here simply makes the following points to assist the Board in disposing of AECC's current petition in this proceeding:

1) AECC claims that IC&E's notice of exemption was materially misleading because it represented that IC&E would "maintain[] existing IMRL services patterns and frequency" even though IC&E "intended to cease intermodal service . . ." AECC Petition at 5, n.13. But in explaining how it would "generally . . . maintain existing service frequency levels," IC&E emphasized the preservation and enhancement of service to local customers on the IMRL, and expressly disclosed an anticipated reduction in overhead train operations. IC&E Notice of

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Exemption at 4-6. While intermodal business (which was actually discontinued by IMRL prior to the IC&E acquisition of IMRL's assets) was not referenced by name, the absence of that largely overhead traffic has not affected service patterns and frequency for local IC&E shippers. As represented, such service tracks closely what IMRL did previously.

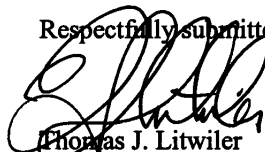
2) AECC attempts to construct a mountain from the cancellation by Soo Line Railroad Company, d/b/a Canadian Pacific Railway ("CPR") of an inactive interchange agreement with IMRL at Northfield, Minnesota. AECC Petition, Nelson V.S. at 3. Yet traffic had not moved over the Northfield interchange (or on IMRL's trackage rights route through Northfield) for many years. IMRL's trackage rights through Northfield have been assigned to IC&E, and when traffic begins to move again via that route IC&E and CPR will enter into a new agreement for the Northfield interchange -- fulfilling their obligations as carriers under the Interstate Commerce Act. 49 U.S.C. § 10742.

3) AECC contends that the recent changes in the Board's regulations for "major" rail mergers have some relevance to this acquisition proceeding under 49 U.S.C. § 10901. AECC Petition at 7. Yet the new procedures will not apply even to the minor control proceeding that will shortly be instituted in Finance Docket No. 34178 -- let alone to the non-carrier acquisition here. We do not believe that the new major merger rules were intended to silently undo twenty years of "alter ego" precedent applying to two-step transactions, and apparently the Board does not either. See July 22nd Stay Decision.

AECC is making bad arguments in the wrong case. Its petition to revoke should be summarily denied.

Ten copies of this letter are enclosed for filing with the Board. One extra copy also is enclosed, and I would request that you date-stamp that copy to show receipt of this filing and return it to me in the provided envelope. Thank you for your assistance on this matter.

Respectfully submitted,



Thomas J. Litwiler
Attorney for Iowa, Chicago & Eastern
Railroad Corporation

TJL:tl

Enclosures

cc: Parties of record