



Surface Transportation Board
Washington, D.C. 20423-0001

Office of Public Assistance, Governmental Affairs,
and Compliance

December 6, 2011

Ms. Karen Phillips
Vice President, U.S. Government Affairs
Mr. Theodore Kalick
Senior Counsel, U.S. Regulatory Affairs
CN
601 Pennsylvania Avenue, NW
Suite 500 North Building
Washington, DC 20004

Dear Ms. Phillips and Mr. Kalick:

On December 17, 2010, the Board issued Decision 26 in the *Canadian National Railway Company and Grand Trunk Corporation—Control—EJ&E West Company* proceeding. Decision 26 reviewed the findings of an independent audit ordered by the Board and indicated that another audit would be conducted in 2011 to verify CN's monthly operational and quarterly environmental reports and to assist the Board in monitoring the impact of the CN/EJ&E transaction. By this letter, I am initiating the second audit, which will again focus on two months of reporting and will address the issues set forth below.

As you know, the first audit focused on information in CN's monthly operational reports for November and December 2009. The second audit will focus on the information in CN's operational reports for the months of November and December 2011, and CN's 4th Quarter 2011 Environmental Report.

The second audit will include an assessment of the information submitted by CN related to the derailment that occurred near Bartlett at Spaulding, Ill. on November 3, 2011. In our November 17, 2011 informational request to CN about the derailment, we indicated that CN should report details of this accident by December 2, 2011, and in the course of its monthly operational reports, including the December 2011 operational report.

Based on the information contained in CN's November and December 2011 operational and environmental reports, and its response to our November 17, 2011 letter, the audit will evaluate the following issues:

- 1) CN's progress in constructing rail improvements
 - Audit and verify CN's reported progress in constructing the rail improvements

- Audit and verify reported changes to rail constructions, such as progress and schedule for completion
 - Conduct site visits to rail improvement constructions, as warranted
- 2) Progress in road closure issues and grade crossing improvements
- Audit and verify CN's reported progress with Joliet on the Woodruff Road closure
 - Verify progress with ILDOT on grade separation projects
 - Audit and verify CN's reported progress on grade crossing improvements
 - Conduct site visits, if warranted
- 3) Operational Considerations
- Audit information in CN's reports on grade crossing delays reported to be caused by operations on adjacent rail lines, and not EJ&E operations
 - Review data on grade crossing delay caused by CN's operations in CN's November and December 2011 operational reports and verify compliance in reporting, focusing on the locations specified in Decision 26: in Illinois, Leithton (at Diamond Lake Road and Route 60/83), Joliet (North Rowell Avenue, South Rowell Avenue, and Country Club Road), and Matteson (at the Main Street crossing) and, in Griffith, Indiana (Broad Street, Main Street, and Elm Street)
 - Conduct site visits, if warranted

Board staff has contacted representatives of HDR, Inc., the consultant working with the Board during the oversight process in this proceeding, to assist the Board with the second audit.

We appreciate your cooperation and assistance in ensuring the success of the second audit. If you have any questions regarding the second audit, please do not hesitate to contact me at 202-245-0238.

Sincerely,



Lucille L. Marvin, Esq.
Director