

SURFACE TRANSPORTATION BOARD

DECISION

STB Docket No. 42057

PUBLIC SERVICE COMPANY OF COLORADO D/B/A XCEL ENERGY

v.

BNSF RAILWAY COMPANY

Decided: May 3, 2005

In this proceeding, Public Service Company of Colorado d/b/a Xcel Energy (Xcel) challenged the reasonableness of the rates charged by BNSF Railway Company (BNSF) for movements of coal from origins in the Powder River Basin of Wyoming to Xcel's Pawnee power plant near Brush, CO. In a decision served on June 8, 2004, we found that BNSF has market dominance over those movements, and that the challenged rates were unreasonably high (June 2004 decision). Based upon a stand-alone cost analysis, we prescribed maximum reasonable rates and awarded reparations to Xcel. We addressed technical errors and petitions for reconsideration in decisions served on December 14, 2004, and January 19, 2005.

On February 8, 2005, Xcel filed a petition to correct technical and computational errors in the reconsideration decision, asserting that we double-counted transportation costs for sub-ballast and that updates to the cost of capital for 2002 and 2003 did not flow appropriately through the discounted cash flow (DCF) model. On February 15, 2005, BNSF filed a reply, arguing that we did not err in our sub-ballast transportation cost calculation. BNSF agrees with Xcel on the cost-of-capital issue.

DISCUSSION AND CONCLUSION

In the June 2004 decision at 103, we accepted Xcel's per-ton unit costs for sub-ballast because Xcel had reasonably relied on the information it received from BNSF in discovery. We also found that the per-ton cost for sub-ballast provided by BNSF in discovery included a transportation component. See June 2004 decision at 102-03. For other construction materials unit costs, we added a transportation cost based on the number of miles the construction materials would be transported.

On reconsideration, BNSF pointed out that the transportation component of the various construction materials reflected an inappropriate assumption that the materials would be transported to the job sites using the rail line to be replicated by the SARR; thus the costs reflected a shorter route for the transportation of the materials than would be available to the SARR. BNSF evidence contained a mileage-based procedure to compute the transportation costs for construction materials, including sub-ballast. In the reconsideration decision, we

agreed with BNSF that the construction materials costs had been based on inappropriate routings, and to correct that error we used BNSF's mileage-based transportation costs.

Xcel now points out that we should not have applied the mileage-based adjustment to the cost of sub-ballast, because the per-ton cost for sub-ballast already included a transportation cost. BNSF argues that the adjustment is nonetheless necessary to avoid an assumption that sub-ballast could be moved over the very lines to be built by the SARR.

In the June 2004 decision, we deliberately used Xcel's evidence on the unit cost for sub-ballast, because BNSF had provided that information to Xcel in discovery and BNSF was not allowed to later impeach the information that it had supplied. See June 2004 decision at 103. And we specifically acknowledged that the unit cost for sub-ballast included the delivery costs. Id. at 102. Thus, unlike the other construction materials in this proceeding, the cost figures used for sub-ballast never had an additional transportation cost applied to it because the per-ton cost of sub-ballast was a delivered price. By adding a mileage-based transportation cost to sub-ballast in the reconsideration decision, we inadvertently double-counted the cost for transportation of sub-ballast. This technical error is corrected by removing BNSF's transportation cost for sub-ballast.

The DCF model is also revised here to reflect the agreed-on changes to the cost of capital for 2002 and 2003. The revised DCF analysis is set forth in **Tables 1** and **2** below.

**Table 1**  
**Revised Discounted Cash Flow Analysis**  
(\$ millions)

<b>Year</b>	<b>SARR Revenue Requirements</b>	<b>BNSF Forecast Revenues</b>	<b>Difference</b>	<b>Present Value</b>	<b>Cumulative Difference</b>
2001	\$295	\$341	\$47	\$46	\$46
2002	292	359	67	60	106
2003	311	367	56	45	152
2004	318	379	61	43	194
2005	334	404	70	44	239
2006	345	424	80	46	284
2007	353	436	82	43	327
2008	358	438	80	37	364
2009	368	453	85	36	400
2010	377	466	89	34	434
2011	386	477	91	32	466
2012	395	488	92	29	495
2013	405	502	97	27	522
2014	414	514	100	26	548
2015	425	532	107	29	576
2016	435	554	118	25	601
2017	445	564	119	22	623
2018	455	578	123	21	644
2019	467	592	126	19	664
2020	478	609	131	18	682

**Table 2**  
**Revised SAC Rate**

<b>Year</b>	<b>Steel Car Tariff Rate</b>	<b>Alum. Car Tariff Rate</b>	<b>SAC Rate Reduction</b>	<b>Steel Car SAC Rate</b>	<b>Alum. Car SAC Rate</b>
2001 1Qtr	\$9.24	\$8.98	14.19%	\$7.93	\$7.71
2001 2Qtr	9.16	8.91	14.39%	7.84	7.63
2001 3Qtr	9.19	8.93	14.04%	7.90	7.68
2001 4Qtr	9.18	8.92	13.87%	7.91	7.68
2002 1Qtr	9.16	8.90	19.72%	7.35	7.14
2002 2Qtr	9.16	8.90	20.10%	7.32	7.11
2002 3Qtr	9.16	8.90	19.89%	7.34	7.13
2002 4Qtr	9.16	8.90	17.75%	7.53	7.32
<b>2003</b>	<b>9.34</b>	<b>9.08</b>	<b>15.69%</b>	<b>7.87</b>	<b>7.66</b>
2004	9.55	9.28	16.55%	7.97	7.74
2005	9.78	9.51	17.83%	8.04	7.81
2006	10.05	9.77	19.39%	8.10	7.88
2007	10.28	9.99	19.40%	8.29	8.05
2008	10.52	10.22	18.79%	8.54	8.30
2009	10.77	10.47	19.30%	8.69	8.45
2010	11.01	10.70	19.74%	8.83	8.59
2011	11.26	10.94	19.73%	9.04	8.78
2012	11.52	11.20	19.50%	9.27	9.02
2013	11.78	11.45	19.92%	9.44	9.17
2014	12.05	11.72	20.09%	9.63	9.37
2015	12.33	11.99	23.24%	9.46	9.20
2016	12.61	12.23	22.01%	9.84	9.54
2017	12.90	12.54	21.73%	10.10	9.82
2018	13.20	12.83	21.98%	10.30	10.01
2019	13.50	13.13	21.87%	10.55	10.26
2020	13.82	13.43	22.17%	10.75	10.45

Rates shown in columns 2 & 3 below the bold line are based on applying the RCAF-U forecast thereafter to the challenged rate.

This decision will not significantly affect either the quality of the human environment or the conservation of energy resources.

It is ordered:

1. The petition to correct technical errors in the reconsideration decision is granted.
2. The rate prescription and reparations award in this case are revised as discussed above and set forth in **Table 2** of this decision. The parties are to re-calculate the amount of damages and BNSF shall establish and maintain rates for movements of the issue traffic that do not exceed the maximum reasonable rates prescribed by this decision.
3. This decision is effective on its service date.

By the Board, Chairman Nober, Vice Chairman Buttrey, and Commissioner Mulvey.

Vernon A. Williams  
Secretary