

SURFACE TRANSPORTATION BOARD

DECISION

Docket No. NOR 42113

ARIZONA ELECTRIC POWER COOPERATIVE, INC.

v.

BNSF RAILWAY COMPANY AND  
UNION PACIFIC RAILROAD COMPANY

Digest:<sup>1</sup> The parties are directed to attend a technical conference with Board staff to discuss various aspects of the costing evidence submitted in this rail rate reasonableness proceeding.

Decided: May 31, 2011

Arizona Electric Power Cooperative, Inc. (AEPCO) filed a complaint challenging the reasonableness of the rates established by BNSF Railway Company (BNSF) and Union Pacific Railroad Company (UP) for unit train coal transportation service from New Mexico and the northern portion of the Powder River Basin in Wyoming and Montana, to AEPCO's Apache Generating Station located near Cochise, Ariz. AEPCO seeks rate relief using the Board's Stand Alone Cost (SAC) methodology. BNSF and UP have answered the complaint, and the parties have submitted evidence and filed closing briefs. An oral argument before the Board was held in this proceeding.

The Board has determined that a technical conference to discuss the parties' costing evidence is necessary. The Board uses its Uniform Railroad Costing System (URCS) to determine a carrier's variable costs in a variety of regulatory proceedings. Adoption of the Unif. R.R. Costing Sys. as a Gen. Purpose Costing Sys. for All Regulatory Costing Purposes, 5 I.C.C. 2d 894, 898-99 (1989). In a SAC analysis, URCS is used to determine the variable cost of each movement in the traffic group. Revenues for a given movement are then divided by the movement's variable costs, so that rates can be expressed as a ratio ("R/VC ratio") that is utilized in the Board's rate prescription approach, known as the Maximum Markup Methodology (MMM).

Board staff will discuss with the parties how they applied the above-described process in their evidence in this proceeding, particularly (but not limited to) how the parties used URCS to

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<sup>1</sup> The digest constitutes no part of the decision of the Board but has been prepared for the convenience of the reader. It may not be cited to or relied upon as precedent. Policy Statement on Plain Language Digests in Decisions, EP 696 (STB served Sept. 2, 2010).

develop variable costs for train-load bridge cross-over traffic on the stand-alone railroad. The technical conference will be held within one week of the service date of this decision, at the Board's headquarters located at 395 E Street, S.W., Washington, DC. Board staff will be in contact with the parties to schedule the exact date and time of the conference. The parties should be represented by their legal counsel and should bring their costing and MMM consultants.

It is ordered:

1. A technical conference will be held within one week of the service date of this decision, at the Board's headquarters located at 395 E Street, S.W., Washington, DC, as described above.

2. This decision is effective on the date of service.

By the Board, Chairman Elliott, Vice Chairman Begeman, and Commissioner Mulvey.