

SURFACE TRANSPORTATION BOARD

DECISION

Docket No. EP 722

RAILROAD REVENUE ADEQUACY

Docket No. EP 664 (Sub-No. 2)

PETITION OF THE WESTERN COAL TRAFFIC LEAGUE TO INSTITUTE A
RULEMAKING PROCEEDING TO ABOLISH THE USE OF THE MULTI-STAGE
DISCOUNTED CASH FLOW MODEL IN DETERMINING THE RAILROAD INDUSTRY'S
COST OF EQUITY CAPITAL¹

Decided: June 16, 2014

On April 2, 2014, the Board served a notice announcing that it would receive comments in Docket No. EP 722 to explore the Board's methodology for determining railroad revenue adequacy and the use of revenue adequacy in rate reasonableness cases, and in Docket No. EP 664 (Sub-No. 2) on how the Board calculates the railroad industry's cost of equity capital. The Board coordinated the two proceedings by inviting comments in both cases on the same schedule.

On May 12, 2014, the Association of American Railroads (AAR) filed a petition to modify the procedural schedule. AAR requests that the Board establish separate schedules for the two proceedings in light of asserted differences in the underlying issues and the degree to which the issues have been developed in prior regulatory filings. AAR also requests extensions (of different durations) in both proceedings, noting that the current procedural schedule overlaps with the comment schedule in Rail Transportation of Grain, Rate Regulation Review, Docket No. EP 665 (Sub-No. 1). AAR represents that the Western Coal Traffic League (WCTL), the National Industrial Transportation League, and the American Chemistry Council do not oppose AAR's requested schedule modifications.² Arkansas Electric Cooperative Corporation, however, filed a reply on May 20, 2014, opposing AAR's request for separate schedules.

AAR's request for separate procedural schedules will be denied. As previously stated in the notice on April 2, 2014, because the cost of capital calculation is a component of the Board's

¹ These proceedings are not consolidated but are being addressed in the same decision for administrative convenience.

² WCTL also filed a separate reply on May 13, 2014, stating that it neither supports nor opposes the AAR's motion.

methodology used to determine revenue adequacy, it is appropriate to coordinate these two proceedings. AAR's request for an extension of the comment deadlines, however, will be granted. Although WCTL expresses concern that the EP 664 (Sub-No. 2) proceeding not be delayed, the fact that comments in both proceedings will remain due simultaneously warrants the longer of the two extensions requested by AAR. Therefore, to allow the parties sufficient time to prepare comments in these proceedings, opening comments in both dockets will now be due by September 5, 2014, and reply comments will be due by November 4, 2014.

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

It is ordered:

1. AAR's request to establish separate procedural schedules is denied.
2. AAR's request for an extension of the comment deadlines is granted as discussed above.
3. This decision is effective on the date of service.

By the Board, Rachel D. Campbell, Director, Office of Proceedings.