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SERVICE DATE – MARCH 17, 2006

SURFACE TRANSPORTATION BOARD

DECISION

STB Docket No. 41191 (Sub-No. 1)

AEP TEXAS NORTH COMPANY

v.

BNSF RAILWAY COMPANY

Decided: March 15, 2006

This decision instructs both parties to file supplemental evidence so that the Board will have a full record upon which to analyze the traffic group and operating plan issues that have been raised in this case.

In this proceeding, AEP Texas North Company (AEP Texas), successor in interest to West Texas Utilities Company, challenges the reasonableness of rates charged by BNSF Railway Company (BNSF) for movements of coal from origins in the Powder River Basin (PRB) of Wyoming to AEP Texas' Oklaunion Generating Station near Vernon, TX. Extensive evidence has been submitted under the stand-alone cost (SAC) test set forth in Coal Rate Guidelines, Nationwide, 1 I.C.C.2d 520 (1985) (Guidelines), aff'd sub nom. Consolidated Rail Corp. v. United States, 812 F.2d 1444 (3d Cir. 1987). The SAC test seeks to determine the lowest cost at which a hypothetical, optimally efficient carrier – the stand-alone railroad (SARR) – could provide service to the complaining shipper, and to selected additional traffic that would use the same lines and facilities if the rail industry were free of barriers to entry or exit. Guidelines, 1 I.C.C.2d at 528.

There are a number of significant disputes regarding the traffic group, the SARR's track configuration, and operating plan used in the SAC analysis. While both parties have relied upon the Rail Traffic Controller (RTC) model to simulate the operation of the SARR, each has submitted an RTC model simulation that reflects different views of how the SARR would provide service for its traffic group. For example, BNSF's RTC simulation models the occurrence of random outages (service disruptions caused by track, equipment and signal failures) and conflicts with Union Pacific Railroad Company (UP) trains at PRB mines caused by the carriers' joint access to those mines. BNSF has not modeled the full traffic group relied upon by AEP Texas. AEP Texas, on the other hand, includes some, but not all, of BNSF's proposed random outages, and does not model explicit conflicts with UP trains at PRB mines in its RTC simulation. The failure of the parties to present evidence that can be compared and matched up against the other party's evidence leaves us with an incomplete record. If we do not agree with the entire position of either party, we may be left without the evidence needed to complete our SAC analysis. Alternatively, if we agree in principle with one party's position, we would be left

with evidence that has not been tested through the adversarial process. Either way the manner in which the parties have presented their evidence will have frustrated our regulatory rate review.

We need not be confined to the parties' evidentiary choices. When necessary to fulfill our responsibilities, we may seek additional evidence from the parties so that we will have an adequate record upon which to decide the case. Towards that end, the parties are directed to submit supplemental evidence based on the following set of assumptions:

- Use the traffic group tonnages contained in AEP Texas' Supplemental Evidence, filed November 8, 2004 (AEP Texas Supp. Evid.), with the following adjustments:
 - for the period 2009-2020, rely upon the most recent Energy Information Administration (EIA) Annual Energy Outlook (AEO) forecasts for Western Montana and Wyoming PRB low-sulfur (sub-bituminous) coal tonnage available as of the date of this order;
 - the increased tonnage to Sunflower's Holcomb Unit 2 as set forth in AEP Texas Supp. Evid. should be incorporated as of 2012;
 - rely on the tonnage to Tuscan Electric Power's Springerville Plant contained in BNSF Reply Evidence, filed May 24, 2004 (BNSF Reply Evid.);
 - for the Coletto Creek movement, develop the revenues from the trackage rights fee that the SARR would collect based on the historical routing of the traffic. For future movements, assume that the current routing would continue. Thus, assume that UP trains moving prior to September 3, 2003, would pay a fee to the SARR for moving over the Pueblo, CO, to Strafford, TX, and from Amarillo, TX, to Oklaunion, TX, segments for both southbound loaded trains and northbound empty trains. Starting on September 3, 2003, assume that UP would pay a fee to the SARR for operating over the Pueblo, CO to Oklaunion, TX segment for southbound loaded trains and for the Oklaunion, TX to Amarillo, TX segment for northbound empty trains. Develop Coletto Creek volumes for 2000 based upon the AEP Texas Supp. Evid. Develop volumes for 2001 and 2002 separately for southbound loads and northbound empties based upon the gross tons explicitly calculated in the AEP Texas Supp. Evid. workpapers that use BNSF's train movement data. Do not apply the Average Gross to Net Ton ratio. Develop volumes for 2003 to 2020 by indexing the 2002 volumes using EIA's Annual Energy Outlook as noted above.
- Include all 137 random outages from the RTC model contained in BNSF Reply Evid. with the following adjustments:
 - synchronize the time zone used in RTC TRAIN file with the time zone in the random outages Form B file;
 - increase the slow order train speed limits from 10 mph to 20 mph.

- Exclude UP train loadings as reflected in the RTC model contained in BNSF Reply Evid.
- Calculate BNSF historic transit times as reflected in AEP Texas Supp. Evid.
- Calculate SARR transit times excluding interchange yard dwell times, but including all other yard dwell times (e.g., the SARR's Alliance South Yard).
- Incorporate the EIA AEO transportation rate escalator for the Western U.S. and the EIA AEO Gross Domestic Product-Implicit Price Deflator (GDP-IPD) forecast available as of the date of this order into the methodology reflected in AEP Texas' opening evidence (which was accepted by BNSF in its reply evidence), with one exception. Calculate the nominal transportation escalator as:
$$(1 + \text{real growth rate}) \times (1 + \text{GDP-IPD growth rate}) - 1.$$
- Model the Las Animas yard as reflected in AEP Texas Supp. Evid.
- Use a 6-hour unloading time for Oklaunion trains, as reflected in AEP Texas Supp. Evid.

We note that the parties have relied upon different releases of the RTC model in submitting evidence in this case. In order to avoid any potential conflicts created by the use of different versions and releases of the RTC model, the parties are directed, within 15 days of this decision, to agree upon a single version and release of the RTC model to use in their supplemental evidence. This version and release must be available to all licensed RTC users. In each party's supplemental evidence, the RTC model should run to completion. The parties may make limited manual adjustments to the train schedules within the RTC model by holding trains at SARR yards longer than the scheduled dwell time to improve the operations of the SARR.

AEP Texas should submit its supplemental opening evidence by May 15, 2006, BNSF should submit its supplemental reply evidence by June 15, 2006, and AEP Texas should submit its supplemental rebuttal evidence by July 14, 2006. Each party is directed to submit the RTC History File from its respective simulations with its supplemental evidence. The parties' supplemental evidence must be confined to the changes necessary to address the issues discussed here; the parties may not use the supplemental submissions as an opportunity to address other issues in the case. Our request for information here should not be construed as a final resolution of any issue set forth in this order.

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

It is ordered:

1. The parties are directed to submit the supplemental evidence set forth in this decision. The supplemental opening evidence of AEP Texas is due May 15, 2006, BNSF's supplemental reply evidence is due June 15, 2006, and AEP Texas' supplemental rebuttal evidence is due July 14, 2006.

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

By the Board, Chairman Buttrey and Vice Chairman Mulvey.

Vernon A. Williams
Secretary