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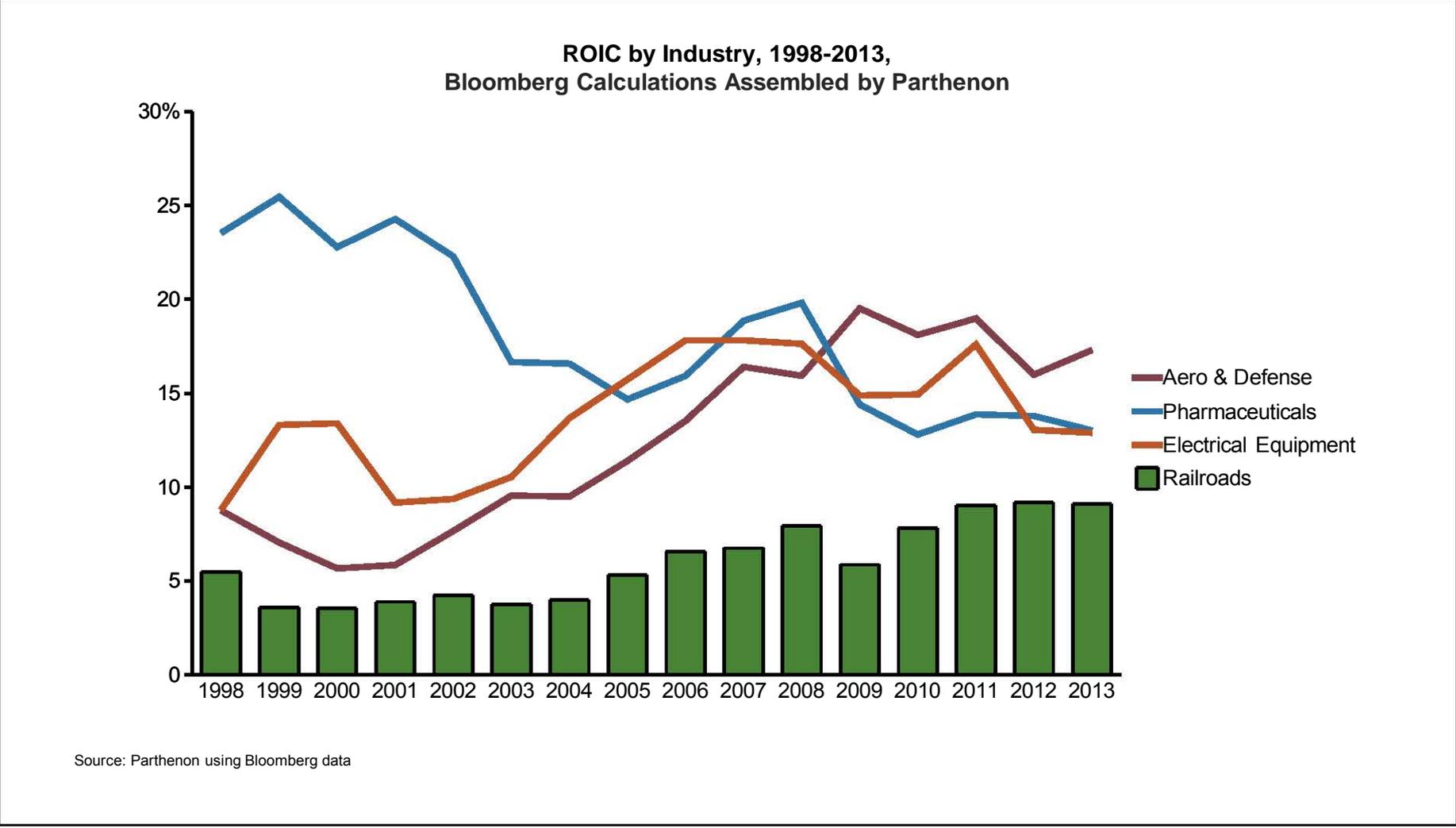
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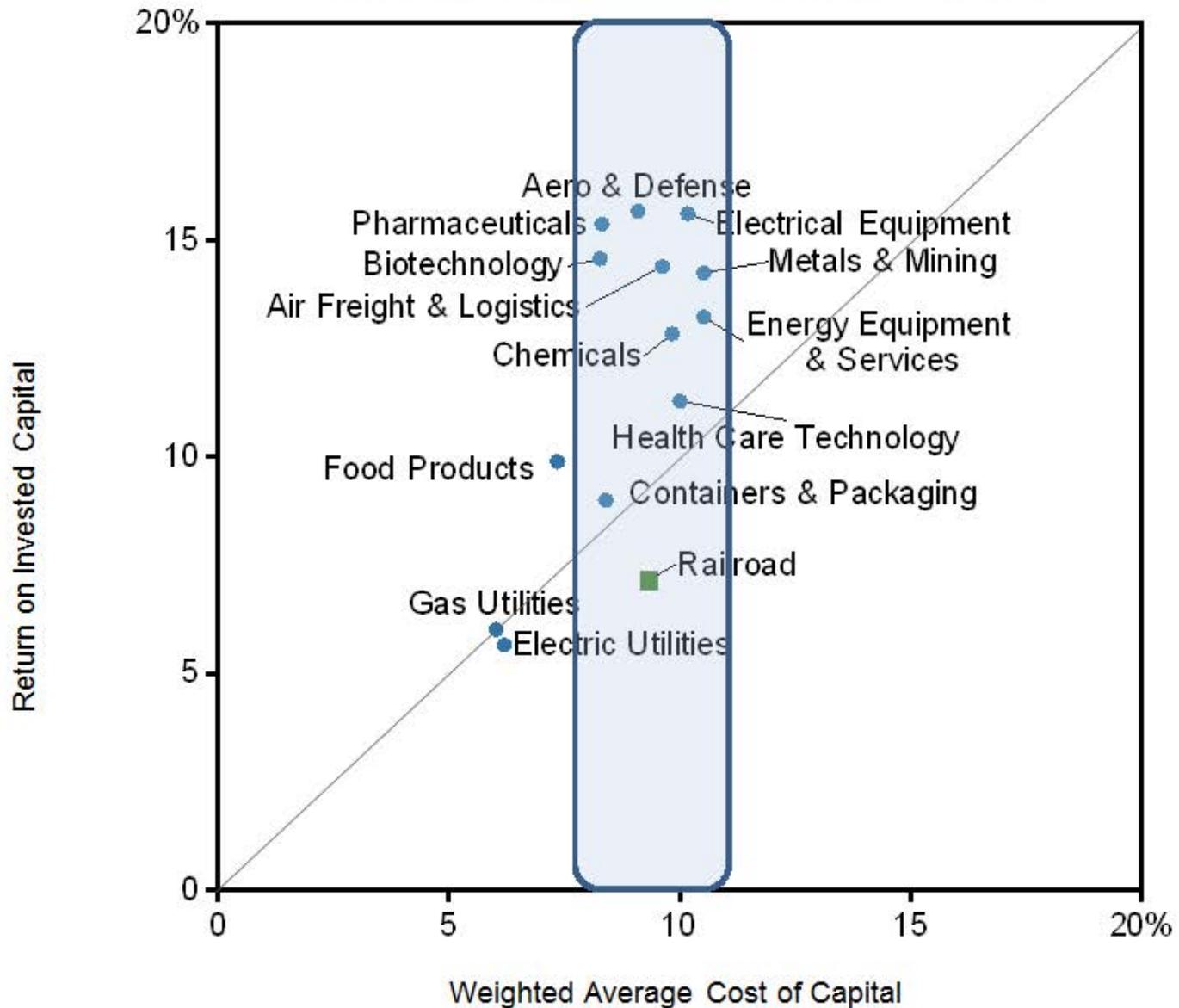
On Behalf of the Association of American Railroads

EP 722 – Railroad Revenue Adequacy

July 22, 2015



**Weighted Average Cost of Capital and ROIC by Industry, 10 Year Average (2004-2013),
Bloomberg calculations assembled by Parthenon**



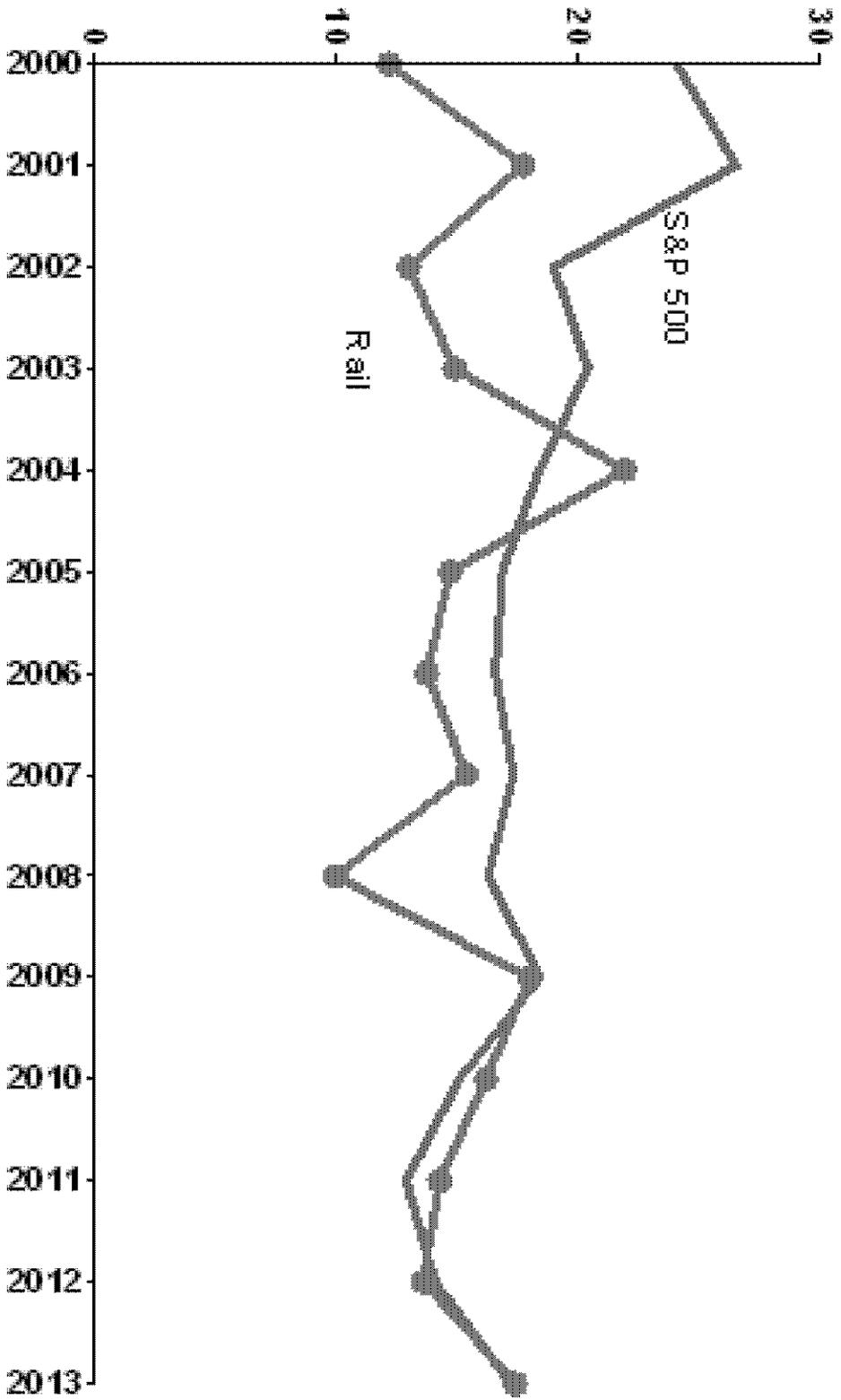
Note: Bloomberg calculations are a total annual invested capital weighted average of S&P 500 companies within the industry during 2014
Source: Parthenon using Bloomberg data

**CEO/CFO's Potential Project Investments
(Hypothetical Data)**

Project ROIC Rank	Project Investment (\$M)	Project ROIC	Cumulative Investment (\$M)	Cumulative ROIC
1	\$0.70	23%	\$0.70	23%
2	\$0.50	21%	\$1.20	22%
3	\$1.00	19%	\$2.20	21%
4	\$0.40	16%	\$2.60	20%
5	\$0.80	14%	\$3.40	19%
6	\$0.60	11%	\$4.00	17%
7	\$1.10	8%	\$5.10	15%
8	\$0.20	6%	\$5.30	15%
9	\$0.70	3%	\$6.00	14%
10	\$0.80	2%	\$6.80	12%

CEO/CFO Hurdle Rate
(equal to or exceeds
corporate WACC) = 11%

Price / Earnings Ratios



Source: Bloomberg