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**BEFORE THE
SURFACE TRANSPORTATION BOARD**

**PETITION OF THE WESTERN)
COAL TRAFFIC LEAGUE TO)
INSTITUTE A RULEMAKING)
PROCEEDING TO ABOLISH THE) EP 664 (Sub-No. 2)
USE OF THE MULTI-STAGE)
DISCOUNTED CASH FLOW)
MODEL IN DETERMINING THE)
RAILROAD INDUSTRY’S COST OF)
EQUITY CAPITAL)**

WESTERN COAL TRAFFIC LEAGUE

NOTICE OF INTENT TO PARTICIPATE AT HEARING

WESTERN COAL TRAFFIC LEAGUE

Of Counsel:

Slover & Loftus LLP
1224 Seventeenth Street, N.W.
Washington, D.C. 20036
(202) 347-7170

William L. Slover
Robert D. Rosenberg
Slover & Loftus LLP
1224 Seventeenth Street, N.W.
Washington, D.C. 20036
(202) 347-7170

Dated: July 8, 2015

Its Attorneys

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Pursuant to the notice that the Surface Transportation Board served on May 8, 2015, the Western Coal Traffic League (“WCTL”) hereby submits its notice of intent to appear at the hearing scheduled for July 22-23, 2015, in the above-captioned proceeding.¹

WCTL will be represented at the hearing by:

Robert D. Rosenberg
Slover & Loftus LLP
Washington, D.C.

Harvey A. Levine, Ph.D
Levine Consulting Services
Potomac, Maryland

¹ WCTL, together with Consumers Energy Company and South Mississippi Electric Power Association, is submitting a separate notice of intent to appear in the hearing EP 722, *Railroad Revenue Adequacy*, to be held on the same days.

Alexander J. Triantis, Ph.D
Dean and Professor
Robert H. Smith School of Business
University of Maryland, College Park

WCTL requests a total of fifty minutes for its presentation, including thirty-five minutes for the direct portion to be divided roughly equally among its three representatives.

WCTL notes that its two experts have prior commitments that limit their availability for the hearing. Dr. Levine is available all of July 22, but only until approximately 11:00 am on July 23. Professor Triantis has a teaching/speaking commitment on the West Coast on July 22, but will take a redeye and be available at the start of the hearing on July 23. Both witnesses will thus be available to appear together on July 23 from 9:30 am to 11:00 am. WCTL regrets any inconvenience these constraints may cause the Board or other parties, but both commitments were made long before the Board scheduled its hearing.

WCTL's substantive position, as previously stated in its opening comments filed September 5, 2014, and its reply comments filed November 4, 2014, is that the railroad industry cost of capital should be estimated using the CAPM and not the MSDCF, that the CAPM should use a market risk premium that better reflects current expectations and conditions, and that the beta should include a Blume or other adjustment to make it more reflective of long-term industry risk and less reflective of the railroads' recent exploitation of their market power.

WCTL's representatives will also be prepared to respond to questions from the Board or issues raised by others. In particular, WCTL views the use of replacement costs as unnecessary, counterproductive, ill-advised, and contrary to statute, as explained in EP 722. If replacement costs were nonetheless utilized, a real cost of capital would be required to avoid a double-count of inflation, and estimation of such a real cost of capital would be problematic in multiple respects.

Respectfully submitted,

WESTERN COAL TRAFFIC LEAGUE

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Slover & Loftus LLP
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Washington, D.C. 20036
(202) 347-7170

William L. Slover
/s/ Robert D. Rosenberg
Slover & Loftus LLP
1224 Seventeenth Street, N.W.
Washington, D.C. 20036
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