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ENTERED
Office of Proceedings
September 30, 2014
Part of
Public Record

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September 30, 2014

BY HAND DELIVERY

Cynthia T. Brown, Chief
Section of Administration, Office of Proceedings
Surface Transportation Board
395 E Street, SW
Washington DC 20423-0001

Re: *Norfolk Southern Railway Company – Discontinuance of Service
Exemption – In Clermont, Brown and Adams Counties, Ohio, STB Docket
No. AB-290 (Sub-No. 370X)*

Dear Ms. Brown:

Enclosed please find an original and eleven copies of a petition for exemption by Norfolk Southern Railway Company to discontinue rail service over a line of railroad in Clermont, Brown and Adams Counties, Ohio. Please date stamp the extra copy and return to my courier. This submission also includes an electronic copy of the entire petition and a separate electronic file of the draft Federal Register notice pursuant to 49 C.F.R. § 1152.60(c) for the Board's use.

Finally, pursuant to 49 C.F.R. § 1002.2(f)(21)(iii), I have enclosed a filing fee check in the amount of \$6,600.00. If there are any questions about this matter, please contact me directly, either by telephone: 202-663-7823 or by e-mail: wmullins@bakerandmilller.com.

Respectfully submitted,



William A. Mullins

Enclosures

FILED
September 30, 2014
SURFACE
TRANSPORTATION BOARD

FEE RECEIVED
September 30, 2014
SURFACE
TRANSPORTATION BOARD

**BEFORE THE
SURFACE TRANSPORTATION BOARD
WASHINGTON, DC**

STB Docket No. AB-290 (Sub-No. 370X)

**NORFOLK SOUTHERN RAILWAY COMPANY
– DISCONTINUANCE OF SERVICE EXEMPTION –
IN CLERMONT, BROWN AND ADAMS COUNTIES, OHIO**

PETITION FOR EXEMPTION

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September 30, 2014

**Attorneys for Norfolk Southern
Railway Company**

**BEFORE THE
SURFACE TRANSPORTATION BOARD
WASHINGTON, DC**

STB Docket No. AB-290 (Sub-No. 370X)

**NORFOLK SOUTHERN RAILWAY COMPANY
– DISCONTINUANCE OF SERVICE EXEMPTION –
IN CLERMONT, BROWN AND ADAMS COUNTIES, OHIO**

PETITION FOR EXEMPTION

INTRODUCTION

Pursuant to 49 U.S.C. § 10502 and rules applicable thereto at 49 C.F.R. Parts 1121 and 1152, Norfolk Southern Railway Company (“NSR”), a Class I common carrier by railroad, files this petition (the “Petition”) seeking an exemption from the provisions of 49 U.S.C. § 10903 to discontinue its common carrier service obligation over approximately 40.7 miles of railroad line (the “Line”) located in Clermont, Brown and Adams Counties, Ohio extending from milepost CT 32.83 at Williamsburg to milepost CT 73.50 at Plum Run, Ohio.

The Line traverses ZIP Codes 45154, 45171, 45176, 45660, 45679, and 45697. Based on information in NSR’s possession, the Line does not contain federally granted rights-of-way. Any documentation in NSR’s possession concerning title will be made available to those requesting it. The line includes the following stations: Eastwood, Mt. Oreb, Sardinia, Mowrystown, Macon, Winchester, Seaman, Lawshe, Peebles, and Plum Run, all of which will be discontinued. Williamsburg, OH, is currently a station on the line; however, it will not be discontinued, because NSR’s Clare (Cincinnati) – Williamsburg, Ohio segment immediately to

the west of and contiguous with the subject line has been operated by CCET, LLC, since April 27, 2014.¹

The Line is a burden on NSR and interstate commerce because the potential annual revenue that could be generated by the sole shipper remaining on the Line, Winchester Ag Service Co., would be heavily outweighed by the costs of maintaining and operating the Line. Moreover, the hardship that NSR would face from operation of the Line (at a substantial avoidable cost loss, as is shown herein) would be exacerbated by the fact that the Line is no longer in operable condition (recently the subject of a service embargo) and needs substantial rehabilitation, the costs of which cannot be recouped because the Line cannot be operated profitably. In sum, the requested exemption should be granted because –

- the costs of operating the Line exceed the potential traffic revenues;
- the Line needs substantial rehabilitation (at considerable cost) to return it to service and the revenues generated by the Line will not sustain such rehabilitation costs;
- the Line’s sole remaining shipper can, and has been, using other modes during the Line’s embargo and does not require rail service; and
- in keeping with the standards of section 10502 – (a) application of the Board’s formal discontinuance process is unnecessary to carry out the Rail Transportation Policy (“RTP”) of 49 U.S.C. § 10502; (b) the proposed action is of limited scope; and (c) regulation is not necessary to protect the remaining on-Line customers from market power abuse.

Accordingly, NSR’s Petition should be granted in keeping with agency policy and precedent.

MAPS AND EXHIBITS

A map of the Line is attached as Exhibit A. A draft Federal Register notice is attached as Exhibit B, and the certifications of compliance with 49 C.F.R. §§ 1105.12 and 1152.60(d) are

¹ See CCET, LLC – Lease and Operation Exemption – Rail Line of Norfolk Southern Railway Company, STB Docket No. FD 35810, (STB served April 4, 2014).

included as Exhibit C. Exhibit D consists of the Verified Statement of Marcellus C. Kirchner (“V.S. Kirchner”), Director Strategic Planning – Norfolk Southern Corporation (“NS”), who offers testimony in support of the proposed discontinuance, and through whom NSR supplies traffic and economic (cost) evidence to demonstrate, among other things that the rehabilitation costs and avoidable cost losses that NSR would incur were the subject Petition to be denied.

FACTUAL BACKGROUND

As indicated above, the proposed discontinuance would protect NSR from the substantial and wholly unrecoverable rehabilitation costs as well as operating losses that otherwise would flow from returning the Line to operating condition and resuming service over it. The circumstances leading to this Petition are set forth in the attached V.S. Kirchner (Exhibit D).

The Line, which is proposed for abandonment, is part of an NSR branch that currently extends between Cincinnati and Portsmouth, Ohio, and was originally part of the Norfolk and Western Railway system.² Immediately to the east of, and contiguous to, the subject Williamsburg– Plum Run line segment is another line segment extending from Plum Run to Vera (Portsmouth), Ohio. This latter segment has been out-of-service since 2008 and will be the subject of a separate discontinuance exemption proceeding. As explained above, the Clare (Cincinnati) – Williamsburg, Ohio segment immediately to the west of and contiguous with the subject line has been leased and operated by CCET, LLC since April 27, 2014 and will remain in operation.³

In recent years, the Line served two shippers, Winchester Ag Service Co. and J. McCoy Lumber Co. LTD. The lumber traffic, however, ended in 2012. Service to Winchester Ag Service Co., who exclusively shipped one commodity (shelled corn) was suspended in April

² See V.S. Kirchner at 2.

³ See FN 1, *supra*.

2014, when NSR's Engineering Department determined that the Williamsburg – Plum Run segment could no longer be safely operated.⁴ The segment was formally embargoed on May 13, 2014.⁵

In view of the Line's modest traffic density and lack of projected future traffic, NSR must seek Board relief from continued operation of the Line, particularly in the face of the anticipated rehabilitation cost based on current track and bridge conditions, which have recently forced the Line be removed from service under an embargo.

The Line needs \$5,588,058 in up-front track and bridge rehabilitation to restore it to service under FRA Class I safety standards. See V.S. Kirchner at 4 and Appendix 1. As is shown in the cost data supplied herein, such rehabilitation costs are not economically justified because the remaining traffic levels would subject NSR to operating losses going forward (regardless of the rehabilitation costs). Such economic considerations, coupled with the recognition that NSR cannot rely on its embargo indefinitely, have prompted NSR to invoke the Board's individual petition for exemption procedures for authority to discontinue service over the Line.

Over the 12-month period ending March 2014 (prior to the embargo), NSR handled a total of 113 carloads over the Line, all of which was shelled corn, resulting in annual traffic density on the line of roughly 2.8 carloads per mile. See *Id.*, Appendix 1. The Line does not have any overhead traffic. The Line has served a single customer, since 2012 when J McCoy Lumber Co. LTD ceased shipping over the line. Winchester Ag Service Company, the sole remaining shipper has not received rail service since April 27, 2014. As stated above, the line

⁴ See V.S. Kirchner at 2.

⁵ *Id.*

was embargoed on May, 13 2014. The two existing on-Line customers that had used NSR service prior to the embargo have been served with a copy of the Petition.

PETITIONER'S REPRESENTATIVE

NSR is represented by William A. Mullins, Baker & Miller PLLC, 2401 Pennsylvania Avenue, NW, Suite 300, Washington, DC 20037; telephone: (202) 663-7820; facsimile: (202) 663-7849; email: wmullins@bakerandmiller.com.

THE EXEMPTION STANDARDS HAVE BEEN MET

Under 49 U.S.C. § 10903, service over a rail line cannot be discontinued without prior Board approval. However, under 49 U.S.C. § 10502, the Board must exempt a transaction from application of section 10903 when it finds that – (1) regulation of the transaction is not necessary to carry out the rail transportation policy of 49 U.S.C. § 10101; and (2) either (a) the transaction is of limited scope, or (b) regulation is not needed to protect shippers from the abuse of market power. The proposed discontinuance meets section 10502's statutory requirements.

A. Regulation Is Not Necessary To Carry Out The Rail Transportation Policy

The RTP obviates the need for detailed Board scrutiny under 49 U.S.C. § 10903 in this instance. Granting NSR's Petition – rather than requiring it to incur the substantial costs and potential delays involved in submitting a full-blown application – promotes a fair and expeditious regulatory decision-making process; ensures the development and continuation of a sound rail transportation system with effective competition among rail carriers and other modes to meet the needs of the public; reduces regulatory barriers to exit from the industry; and provides for the expeditious handling and resolution of proceedings required or permitted to be brought under this part. See 49 U.S.C. §§ 10101(2), (4), (7), and (15).

Moreover, allowing NSR to discontinue service over the Line will promote a safe and efficient rail transportation system by enabling the railroad to avoid losses and, in turn, facilitate the railroad's ability to earn adequate revenues. See 49 U.S.C. § 10102(3). Finally, granting NSR's Petition to discontinue a line segment that the evidence proves is not remunerative will foster sound economic conditions, and will encourage efficient management in accordance with the RTP. See 49 U.S.C. §§ 10101(5) and (9).

As indicated in the discussion on avoidable costs (losses) below, NSR faces Base Year operating losses of \$325,254, and Forecast Year Losses of \$332,491. See V.S. Kirchner at 6 and Appendix 1. But that is only part of the story. To even be in a position to incur such avoidable losses, NSR would first have to complete Line rehabilitation work at a cost of \$5,588,058. Id. It would be entirely illogical and economically unsound for NSR to undertake such costly track and bridge repair work for the purposes of restoring to service a rail line that would operate at a substantial avoidable loss.

For these reasons, the Board need not, and should not, require NSR to use the formal discontinuance application procedures in order to carry out the RTP. Indeed, the proposed discontinuance and NSR's use of the Board's exemption procedures is consistent with that policy.

B. The Proposed Discontinuance Is of Limited Scope

The proposed discontinuance is of limited scope, involving miles of low-density branch line that is already inactive due to the recently-issued embargo, and that, if reopened, would be expected to handle less than three carloads per mile per year.⁶ There was only one active

⁶ The Board has granted individual exemptions in similar circumstances for comparable circumstances. See, e.g., Escanaba & Lake Superior Railroad Company – Abandonment Exemption – In Ontonagon and Houghton Counties, Mich., STB Docket No. AB-4154 (Sub-No.

customer on the line prior to the embargo, and that customer's traffic decreased by 38% from 2011 to 2013. See V.S. Kirchner at 2 and Appendix 2. As indicated above, there is no overhead traffic.

C. Regulation of the Discontinuance Is Not Necessary to Protect Shippers from Market Power Abuse

Because the proposed discontinuance is of limited scope, NSR need not show that regulation is not needed to protect shippers from market power abuse. But it is clear that the use of the Board's formal discontinuance procedures is not necessary to protect shippers from any potential abuse of market power in this case.

Attached to the V.S. Kirchner as Appendix 2 is a table entitled "Commodities by Carloads and Tonnage." On the far right column of that table are listed the number of carloads that NSR handled on the Line during the base year ending March 2014. As one can see, of the 113 total Base Year carloads, 112 involved shelled corn (STCC 0113215), while the remaining car was an empty freight car. . NSR has reason to believe that both Winchester Ag Service Co. and J McCoy Lumber Co. LTD, the last two on-Line customers, regularly make use of trucks. In fact, such competitive constraints preclude NSR from exploring the sizeable rate increases that would make restoring service economically practicable. Clearly, regulation is not needed to

2X) (STB served Sept. 27, 2010) (Board granted abandonment petition for 42.93 miles of rail line); Arizona & California Railroad Company – Abandonment Exemption – In San Bernardino and Riverside Counties, CA, STB Docket No. AB-1022 (Sub-No. 1X) (STB served Jun. 30, 2009) ("Arizona & California") (Board granted abandonment of a 49.4-mile rail line that was projected to handle approximately nine carloads per mile); Georgia Southwestern Railroad, Inc. – Abandonment and Discontinuance Exemption – In Harris and Meriwether Counties, GA, STB Docket No. AB-1000 (Sub-No. 1X) (STB served Dec. 10, 2007) ("Georgia Southwestern") (Board granted abandonment petition for exemption involving a 43-mile rail line); SWKR Operating Company – Abandonment Exemption – In Cochise County, AZ, STB Docket No. AB-441 (Sub-No. 2X) (STB served Feb. 14, 1997) (Board granted abandonment of a 41.5-mile line of railroad that was projected to handle approximately 11 carloads per mile).

protect these shippers of mostly exempt commodities from market abuse. Such shippers will have more than adequate transportation alternatives.

Under the circumstances, there is no basis to presume that NSR's decision to seek discontinuance authority is driven by any consideration aside from the avoidance of future operating losses and the unwise expenditure of millions of dollars of company funds to rehabilitate a Line whose traffic levels cannot support economical operations. NSR has neither the leverage nor the propensity to subject the Line's past customers to market power abuse. In fact, if anyone could be said to be engaging in "abusive" behavior, it would be an opponent to the discontinuance attempting to use the Board's regulatory oversight to subject NSR to additional legal costs associated with its efforts to shield itself from avoidable losses.

PUBLIC INTEREST FACTORS

Future operation of the Line would be wholly uneconomical, due to both the unrecoverable and substantial rehabilitation costs, and operating losses that would flow from Line reactivation. Even when factoring community and shipper interests against the Line's economic circumstances, the public interest militates in favor of the proposed discontinuance.

A. NSR's Economic Analysis

As has been mentioned above, NSR has employed as a Base Year for purposes of its costing analysis the 12-month period ending March 2014 (prior to the embargo that now applies to the Line), during which time NSR handled 113 carloads. NSR submits that such traffic volumes are representative of current rail service demand, were the Line still in operating condition. Accordingly, NSR has applied the same 113 carloads assumption, broken down according to the same commodity mix in the Base Year, for its Forecast Year and Projected

Subsidy Year analyses. Such low on-Line traffic levels make the Line unattractive to a potential short line operator.

B. Avoidable Costs Loss (See Also V.S. Kirchner Appendix 1 – Pro Forma Income Statement)

As is detailed in Appendix 1 to Mr. Kirchner's verified statement, NSR earned \$389,500 in Base Year revenues, which, far from offsets NSR's avoidable costs of \$714,754, resulting in an avoidable loss from rail operations of \$325,254. Drawing from its Base Year figures and making certain cost adjustments accounting for inflation, NSR estimates that, for purposes of the Forecast Year and Projected Subsidy Year, it would incur operating losses of \$332,491 (total revenues of \$400,452 less total avoidable costs of \$732,943). *Id.* Such losses, of course, presuppose the rehabilitation of the Line to meet Class I track safety conditions (and to correct bridge deterioration) at a cost of \$5,588,058.

Mr. Kirchner testifies as to the Line's revenue and to the computation of various on-branch and off-branch cost inputs that comprise the total avoidable costs figures employed here. His testimony demonstrates NSR's compliance with the applicable Board rules for calculating such cost inputs. Mr. Kirchner's testimony speaks for itself. One input, however, warrants additional discussion here – annual costs attributable to the maintenance of way and structures, otherwise known as “normalized maintenance” (line 5a, V.S. Kirchner, Appendix 1).

NSR has presented Base Year and Forecast/Subsidy Year maintenance of way and structures costs of \$364,119 and \$374,358, respectively, with both figures tied to maintaining the Line to FRA Class I condition. These cost calculations translate into maintenance costs of roughly \$8,953/mile for the Base Year and \$9,205/mile for the Forecast/Subsidy Year. Mr. Kirchner explains the basics of this cost input in his verified statement, and the figures are

further supported by the Normalized Maintenance Projection, which is Appendix 3 to his verified statement.

NSR stands behind its normalized maintenance figures as the most accurate and realistic estimate based upon actual track maintenance costs and data. NSR's normalized maintenance figures, for example, are, in NSR's view, more accurate and reliable than would be an off-the-shelf maintenance estimate tied to a previously-Board-endorsed (or accepted) flat, per-mile maintenance estimate. But even if the Board were to apply a "default" per-mile normalized maintenance cost estimate reducing the normalized maintenance input by half, the result would nevertheless be avoidable losses from operations for the Base and Forecast/Subsidy Years of several hundreds of thousands of dollars each year.

C. Rehabilitation (Including Beyond-Forecast-Year Rehabilitation) Costs

In his verified statement, Mr. Kirchner explains that NSR's Engineering Department has ordered that the Line be removed from service (and thus be made subject to the recently-issued embargo notice) due to deteriorated track and bridge conditions making continued rail operations unsafe. *Id.* at 2-3. He adds that, for the Line to be returned to safe operating condition in compliance with FRA Class I track safety conditions and under FRA and internal NSR bridge safety standards, NSR would have to expend an estimated total of \$5,588,058 for timbering and surfacing (installation of 800 new Grade 5 crossties and 800 tons of ballast per mile) of the entire line segment. *Id.* at 6. Such rehabilitation would permit the reactivation of the Line, for the time being, at FRA Class I (ten miles-per-hour) maximum track speeds.⁷ *Id.* at 3-4.

⁷ FRA Class I (10 miles per hour) track speeds, while subjecting NSR to lower per-mile maintenance costs than would be the case for higher-speed operations, presents an operational challenge of its own. When the customer at Winchester (approximately 24 miles distant from Williamsburg) requires switching, the crew would have to utilize two tours of duty to make the round trip. Because there is no place at Winchester to turn the train, it is necessary for the crew

Even if NSR were to undertake such costly rehabilitation to restore the Line to operable condition, that up-front rehabilitation would not be the end of the story. Rather, as Mr. Kirchner explains, it would be just the beginning of other forecasted “program maintenance” (capital improvements not accounted for under normalized maintenance) in the years to follow. For example, Mr. Kirchner notes that eight bridges on the line segment will require deck replacement over the next ten years at a total cost of \$1,230,000. The bridge repair costs will start accruing in 2015 (assuming the Line were returned to service) when bridges located at Milepost CT-33.59 and CT-43.80 must be repaired at a projected cost of \$304,000.⁸

D. Opportunity Cost/Return on Value

NSR has prepared and is submitting evidence on return on value in this proceeding to comply with the Board’s Forecast Year Operations and Projected Subsidy Year Operations requirements, and in the event that an interested party were to propose to subsidize NSR’s operation of the Line. Because NSR is not seeking to abandon the Line and liquidate its assets at this time, but is instead seeking to be relieved of its rail service obligation, NSR is not relying on opportunity cost considerations as a basis for Board approval of the subject Petition.

Under the circumstances, NSR believes that opportunity costs are at best a secondary factor in the Board’s handling of the Petition, while NSR’s avoidable losses and rehabilitation cost evidence demonstrate that NSR’s request for discontinuance authority should be granted. Nevertheless, NSR has supplied evidence and figures (contained in the V.S. Kirchner and the appendices thereto) for all of the usual inputs for calculating total return on value (opportunity

to turn at the end of the line. Thus in order to serve Winchester, the train must travel the entire length of the line and back, a round trip distance of over 81 miles. Since the line is limited to a speed of ten miles per hour, an entire tour of duty is required to serve Winchester upon entering the line at Williamsburg.

⁸ For a complete breakdown of projected bridge repair cost, see Page 2 of Appendix 3.

cost), including the following: working capital, income tax consequences, net liquidation value, nominal return on value, rate of return, and holding gain. As these cost and rate of return factors are not central to NSR's case for discontinuance, NSR will not address these further in this legal narrative. To the extent that the Board or any interested party wishes to examine the elements of NSR's return on value evidence, NSR respectfully refers the Board to the V.S. Kirchner and Appendix 1 thereto (both parts of Exhibit D to this Petition).

E. Alternative Transportation

NSR believes that both the line's existing customer and its previous customer whom received rail service over the Line prior to the embargo have access to viable alternative sources of transportation. For example, NSR explained above that the proposed discontinuance would not subject shippers to market power abuse, pointing out that the vast majority of the on-Line traffic in the Base Year was for exempted commodities. As has been found in prior agency decisions, such commodities are extremely truck competitive. Both Winchester Ag Service Co. in Winchester, OH and J McCoy Lumber Co. LTD in Peebles have competitive trucking options via Ohio's highways. Both are located near State Route 32, which is commonly known as the James A. Rhodes Appalachian Highway.⁹ NSR submits that alternative (and competitive) transportation service is readily available to the past users of the Line. Given the low volumes and that the principal commodity transported over the Line can be safely transported using other modes, there is no possibility of any shippers suffering market abuse, and therefore, there is no justification for requiring NSR to continue to operate as a common carrier at such avoidable loss levels.

⁹ Route 32 is a major east-west highway across the southern portion of Ohio that extends over 180 miles and is maintained by the Ohio Department of Transportation. To the west, Route 32 connects with U.S. 50 in Cincinnati and to the east it connects with WV State Road 618.

F. Other Policy and Public Interest Considerations

NSR believes that the proposed discontinuance of service will have no significant impact upon any of the communities through which the Line passes, in large part because its rail service has been a convenient, but non-essential, competitive alternative to truck transportation for the Line's customers. Accordingly, NSR is confident that its proposed discontinuance will have a very modest impact upon the communities it serves, if it has any meaningful impact at all. While it is likely true that the subject discontinuance will result in on-Line NSR customers making more use of trucks than before – (1) such a diversion to truck probably has already begun as a result of the embargo; and (2) NSR has determined that the truck diversions are so modest that the impacts need not be examined under the Board's environmental assessment processes, as is discussed in the "Environmental Impacts Review" section below. Here, the very strong likelihood that the proposed discontinuance will minimally impact the communities through which the Line traverses, if at all, must be balanced against evidence presented herein showing that NSR would be subjected to significant unrecoverable costs going forward if its Petition were to be denied and NSR were required to resume service on the Line.

The process that NSR has invoked and the evidence it has supplied in its case-in-chief fully supports the grant of its discontinuance Petition. It also affords interested parties a fair opportunity to express their views on NSR's proposed action, and to comment on the propriety of NSR's use of the individual petition for exemption process. NSR believes the evidence supports the grant of the Petition and that holding it to an exacting, expensive, and potentially protracted formal discontinuance application process, especially in light of the evidence that NSR has supplied in support of discontinuance, would be unnecessary and wholly contrary to the RTP.

LABOR PROTECTIVE CONDITIONS

The interests of NSR employees who may be adversely affected by the proposed discontinuance will be adequately protected by the labor protective conditions in Oregon Short Line R. Co. – Abandonment – Goshen, 360 I.C.C. 91 (1979).

ENVIRONMENTAL IMPACTS REVIEW

The Board does not normally require a carrier seeking to discontinue service over a particular rail line to prepare and submit for review a combined environmental and historic report.¹⁰ Here, the discontinuance is exempt from environmental reporting requirements under 49 C.F.R. § 1105.6(c) and from historic reporting requirements under 49 C.F.R. § 1105.8(b) because NSR seeks only to discontinue service. NSR does not anticipate engaging in any salvage activities, including the removal of any potentially historic structures (such as bridges) as a result of obtaining discontinuance authority. Further Board approval is required for NSR to abandon service on the line. Accordingly, no environmental or historic report was prepared.

Nonetheless, in an abundance of caution, NSR undertook an analysis to ensure that the proposed discontinuance would not result in the diversion of freight traffic from rail to trucks exceeding the thresholds for air quality impacts set forth at 49 C.F.R. § 1105.7(e)(5)(i). NSR has

¹⁰ See, e.g., Everett Railroad Company – Discontinuance of Service Exemption – In Blair County, PA, STB Docket No. AB-271X slip op. at 2 n.2 (STB served Nov. 16, 2007) (“Because this is a discontinuance proceeding and not an abandonment, . . . no environmental or historical documentation is required here under 49 CFR 1105.6(c) and 1105.8(b), respectively”); Columbus and Greenville Railway Company – Discontinuance of Service Exemption – in Greenwood, MS, STB Docket No. AB-297 (Sub-No. 103X), slip op. at 2 n.2 (STB served July 3, 2007) (same); Norfolk Southern Railway Company—Discontinuance Exemption—in Mahoning County, OH, STB Docket No. AB-290 (Sub-No. 292X), slip op. at 2 n.2 (STB served March 15, 2007) (same); Chillicothe-Brunswick Rail Maintenance Authority—Discontinuance Exemption—in Livingston, Linn, and Chariton Counties, MO, STB Docket No. AB-1001X, slip op at 2 n.3 (STB served Feb 23, 2007) (same).

calculated total daily rail-to-truck diversions using Base Year traffic figures and applying the following total truck traffic multipliers:

- For all non-lumber traffic: four truckloads per carload and four corresponding empty truck movements.
- For lumber traffic: three truckloads per carload and three corresponding empty truck movements.

On the basis of such calculations (apportioning as appropriate Base Year traffic to the sole remaining customer's location along the Line), NSR has consulted the most recent available data from the Ohio Department of Transportation's Transportation Information Mapping System ("TIMS") to determine if the daily new truck traffic anticipated to result from the proposed discontinuance would exceed the section 1105.7(e)(5)(i) thresholds.¹¹ NSR has determined that the subject impact thresholds will not be exceeded on any road that would likely support new or additional truck traffic so that an environmental analysis would be required. .

CONCLUSION

NSR seeks an exemption from the provisions of 49 U.S.C. § 10903 to discontinue service over 40.7 miles of rail line located in south western Ohio. The exemption is warranted in light of the substantial burden that the reactivation and subsequent operation of the Line would impose upon NSR, as has been demonstrated in the foregoing sections of this Petition and in the attached verified statement of Mr. Kirchner. For the reasons supplied herein, application of the Board's formal discontinuance procedures at section 10903 is not needed to carry out the RTP set forth at 49 U.S.C. § 10901, and, in fact, granting NSR's Petition would promote many of the elements of that policy. Likewise, the proposed discontinuance is of limited scope, and no potential for abuse of market power would result from the requested exemption. Accordingly, NSR urges

¹¹ Based on the calculations performing using TIMS, the Average Annual Daily Traffic indicates that neither threshold established in 1105.7(e)(5)(i) will be exceeded.

prompt Board action to grant an exemption for the proposed discontinuance of service over the
Line.

Respectfully submitted,



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Dated: September 30, 2014

Attorneys for Norfolk Southern Railway
Company

**BEFORE THE
SURFACE TRANSPORTATION BOARD
WASHINGTON, DC**

STB Docket No. AB-290 (Sub-No. 370X)

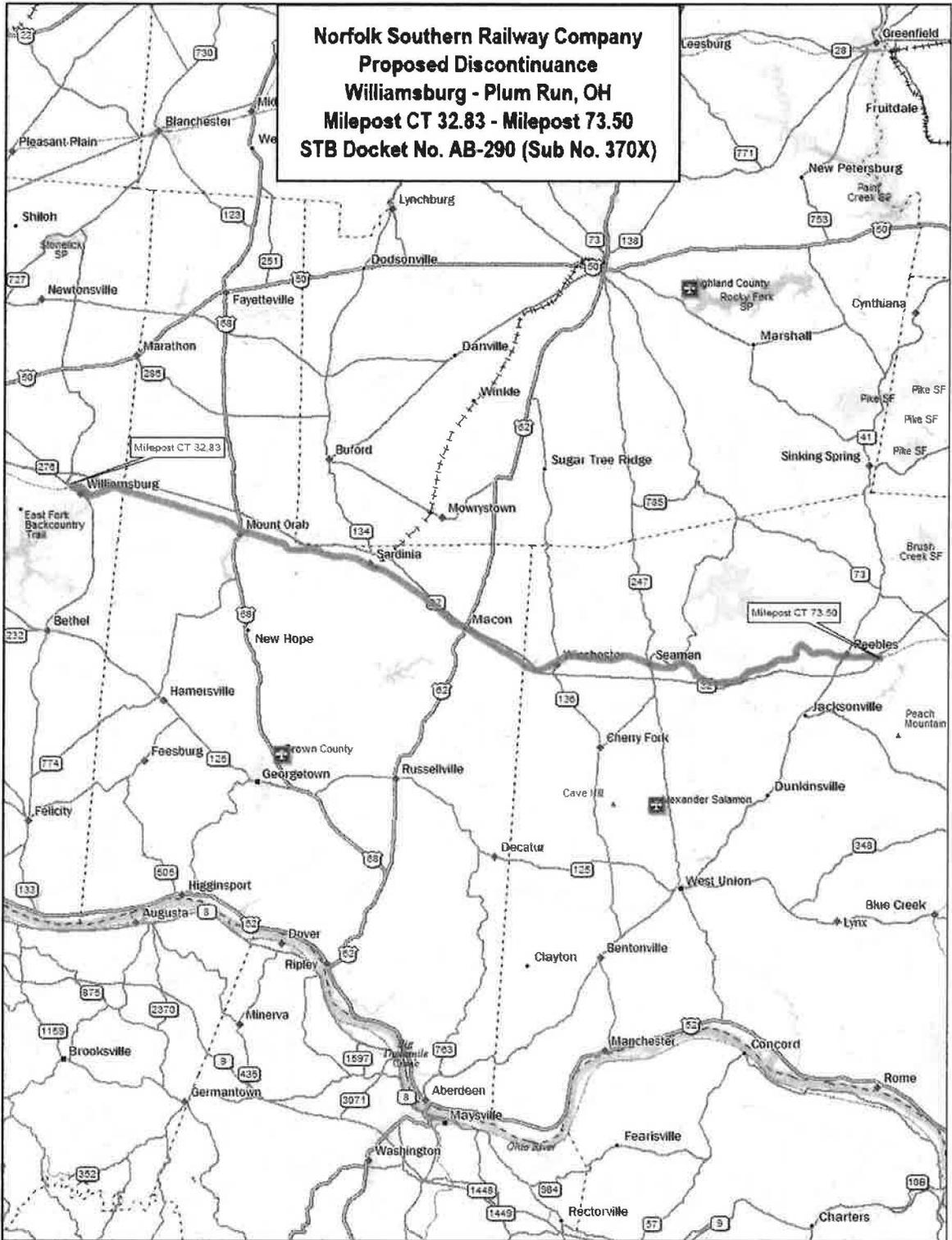
**NORFOLK SOUTHERN RAILWAY COMPANY
– DISCONTINUANCE OF SERVICE EXEMPTION –
IN CLERMONT, BROWN AND ADAMS COUNTIES, OHIO**

PETITION FOR EXEMPTION

EXHIBIT A

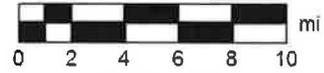
MAP

**Norfolk Southern Railway Company
Proposed Discontinuance
Williamsburg - Plum Run, OH
Milepost CT 32.83 - Milepost 73.50
STB Docket No. AB-290 (Sub No. 370X)**



DELORME

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Data Zoom 9-1

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EXHIBIT B

DRAFT FEDERAL REGISTER NOTICE

DEPARTMENT OF TRANSPORTATION

Surface Transportation Board

[Docket No. AB 290 (Sub-No. 370)]

Norfolk Southern Railway Company – Discontinuance of Service Exemption – In Clermont, Brown and Adams Counties, Ohio

Norfolk Southern Railway Company (NSR) has filed on September __, 2014, an individual exemption for the discontinuance of service over a line of railroad which comprises NSR's Williamsburg – Plum Run segment of the former Norfolk and Western Railway system extending from milepost CT 32.83 at Clare (Cincinnati), Ohio to milepost CT 73.50 at Plum Run, Ohio. The subject rail line traverses through United States Postal Service ZIP Codes 45154, 45171, 45176, 45660, 45679, and 45697, a total distance of 40.7 miles in Clermont, Brown, and Adams Counties, Ohio. The line for which the discontinuance exemption request was filed includes the stations of Eastwood, Mt. Oreb, Sardinia, Mowrystown, Macon, Winchester, Seaman, Lawshe, Peebles, and Plum Run, all of which will be discontinued. The line also includes the station of Williamsburg, OH, which will not be discontinued, due to an existing short line leasing arrangement. See CCET, LLC – Lease and Operation Exemption – Rail Line of Norfolk Southern Railway Company, STB Docket No. F.D. 35810, (STB served April 4, 2014).

The Line does not contain federally-granted rights-of-way. Any documentation in the railroad's possession will be made available promptly to those requesting it.

The interest of railroad employees will be protected by the conditions set forth in Oregon Short Line Railroad – Abandonment Portion Goshen Branch Between Firth & Ammon, in Bingham & Bonneville Counties, Idaho, 360 I.C.C. 91 (1979).

By issuance of this notice, the Board is instituting an exemption proceeding pursuant to 49 U.S.C. § 10502(b). A final decision will be issued by _____, 2014.

Any offer of financial assistance (OFA) under 49 C.F.R. § 1152.27(b)(2) to subsidize continued rail service will be due no later than 10 days after service of a decision granting the petition for exemption. Each offer must be accompanied by a \$1,600 filing fee. See 49 C.F.R. § 1002.2(f)(25).¹²

All filings in response to this notice must refer to Docket No. AB 290 (Sub-No. 359X) and must be sent to: (1) Surface Transportation Board, 395 E Street, S.W., Washington, DC 20423-0001, and (2) William A. Mullins, Baker & Miller PLLC, 2401 Pennsylvania Ave., N.W., Suite 300, Washington, DC 20037. Replies to the petition are due on or before _____.

Persons seeking further information concerning the Board's discontinuance procedures may contact the Surface Transportation Board or refer to the full abandonment and discontinuance regulations at 49 CFR Part 1152. Questions concerning environmental issues may be directed to the Board's Office of Environmental Analysis (OEA) at (202) 245-0295.

Board decisions and notices are available on our website at "WWW.STB.DOT.GOV."

Decided: _____.

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

¹² Because this is a discontinuance proceeding and not an abandonment proceeding, trail use/rail banking and public use conditions are not appropriate. Similarly, based upon the information NSR has supplied in its petition, no environmental or historic documentation is required under 49 C.F.R. §§ 1105.6(c)(2) and 1105.8.

**BEFORE THE
SURFACE TRANSPORTATION BOARD
WASHINGTON, DC**

STB Docket No. AB-290 (Sub-No. 370X)

**NORFOLK SOUTHERN RAILWAY COMPANY
– DISCONTINUANCE OF SERVICE EXEMPTION –
IN CLERMONT, BROWN AND ADAMS COUNTIES, OHIO**

PETITION FOR EXEMPTION

EXHIBIT C

CERTIFICATIONS OF SERVICE/PUBLICATION

Certificate of Service

49 C.F.R. § 1152.60(d) – Notice

I certify that, in keeping with 49 C.F.R. § 1152.60(d), I caused the following parties to be served with a copy of Norfolk Southern Railway Company's foregoing discontinuance petition for exemption:

Matthew Dietrich, Executive Director
Ohio Rail Development Commission
The Ohio Department of Transportation
1980 West Broad Street, Mail Stop #3140
Columbus Ohio 43223

The Public Utilities Commission of Ohio
180 East Broad Street
Columbus, Ohio 43215

David Dorfman
SDDC TEA
Railroads for National Defense
709 Ward Dr., Bldg. 1990
Scott AFB, IL 62225
(618) 220-5741

Charlie Stockman
National Park Service
Rivers & Trails Conservation Program
1201 Eye Street, NW, 9th Floor (Org. Code 2220)
Washington, D.C. 20005
(202) 354-6900

Thomas L. Tidwell, Chief
Forest Service
U.S. Department of Agriculture
Sidney R. Yates Federal Building
201 14th Street SW
Washington, DC 20024
(202) 205-8439
S/W Sandy Berg, Office Manager

In addition, I also hereby certify that I have served the following past users of the subject rail line with a copy of the foregoing discontinuance petition for exemption:

Winchester Ag Service Co.
1350 Tri-County Road
Winchester, OH 45697

J McCoy Lumber Co. LTD
6 N. Main Street
Peebles, OH 45660-1243

September 30, 2014



William A. Mullins
Attorney for Norfolk Southern
Railway Company

Certificate of Newspaper Publication

49 C.F.R. § 1105.12 – Newspaper Notice

I hereby certify that a “Notice of Intent to Discontinue Rail Service” was published in the form prescribed by the Board for a Petition for Exemption (49 C.F.R. § 1105.12). The notice was published one time in Clermont Sun, The Brown County Press, and People’s Defender newspapers of general circulation in Clermont, Brown, and Adams Counties, OH.

September 30, 2014



William A. Mullins
Attorney for Norfolk Southern
Railway Company

TO DISCONTINUE
RAIL SERVICE
STB Docket No. AB-290
(Sub-No. 370X)

Norfolk Southern Railway Company ("NSR") gives notice that on or about September 30, 2014, it intends to file with the Surface Transportation Board ("STB"), Washington, DC 20423, an individual petition for exemption under 49 U.S.C. 10502 from the prior approval requirements of 49 U.S.C. 10903, et seq., permitting NSR to discontinue service over approximately 40.7 miles of rail line (hereinafter, the "Line") located in Clermont, Brown, and Adams Counties, Ohio. The Line extends from milepost CT 32.83 at Williamsburg to milepost CT 73.50 at Plum Run, Ohio, and traverses portions of United States Postal Zip Code territories 45154, 45171, 45176, 45660, 45679, and 45697. The proceeding has been docketed as STB Docket No. AB-290 (Sub-No. 370X).

The proposed action entails the discontinuance of rail service over the Line for which further Board approval would be required for NSR to abandon service on the line. Accordingly, this proceeding is exempt from environmental reporting requirements under 49 C.F.R. § 1105.6(c) and from historic reporting requirements under 49 C.F.R. § 1105.8(b), and the STB will not prepare an environmental assessment.

Appropriate offers of financial assistance to continue rail service under a subsidy can be filed with the Board. Because the proposed action is for the discontinuance of service over, but not the abandonment of the Line, requests for public use conditions and rail banking/trails will not be accepted. An original and 10 copies of any pleading in response to the proposed discontinuance of service (such as offers of financial assistance) must be filed directly with the Board's Section of Administration, Office of Proceedings, 395 E Street, S.W., Washington, DC 20423 [See 49 C.F.R. §§ 1104.1(a) and 1104.3(a)], and one copy must be served on NSR's representative

Questions regarding offers of financial assistance or other such matters may be directed to the Board's Office of Public Assistance, Governmental Affairs, and Compliance at 202-245-0230. Copies of any comments or requests for specific Board action should be served on NSR's representative: William A. Mullins, BAKER & MILLER PLLC, 2401 Pennsylvania Ave., N.W., Suite 300, Washington, DC 20037; phone: 202-663-7820; fax 202-663-7849.

BCP 9-21-14

The State of Ohio Brown County, ss:

Personally appeared before me, the undersigned authority, within and for said County, DIANNA FISCHER, Chief Financial Officer.

The Brown County Press

a weekly newspaper published and of general circulation in said County, and made oath that the annexed advertisement was published in said newspaper once a week for 1 consecutive numbers, commencing on the 21st day of Sept., A.D., 2014 and that each insertion was upon the same day of each week, viz: Sunday.

Dianna Fischer

Charges, \$ 69.19

Sworn to and described before me, this 22nd day of September, A.D., 2014.

Anthony S Adams

Anthony S Adams

Notary Public, State of Ohio
My Comm Expires May 31, 2015



**BEFORE THE
SURFACE TRANSPORTATION BOARD
WASHINGTON, DC**

STB Docket No. AB-290 (Sub-No. 370X)

**NORFOLK SOUTHERN RAILWAY COMPANY
– DISCONTINUANCE OF SERVICE EXEMPTION –
IN CLERMONT, BROWN AND ADAMS COUNTIES, OHIO**

PETITION FOR EXEMPTION

EXHIBIT D

**VERIFIED STATEMENT OF
MARCELLUS C. KIRCHNER
WITH APPENDICES**

VERIFIED STATEMENT
OF
MARCELLUS C. KIRCHNER

My name is Marcellus C. Kirchner. I am employed by Norfolk Southern Corporation (Norfolk Southern or NS) in the capacity of Director Strategic Planning. My office is in Norfolk, Virginia. I have been employed by NS or an NS subsidiary or predecessor since 1978 and have occupied my present position since January 1993. I previously occupied the positions of Director Human Resources and Director Labor Relations. I have a Bachelor of Arts degree, *cum laude*, from Duke University and a Master of Business Administration degree from Cornell University. Since April 2004, the responsibilities of my present position have included management of Norfolk Southern's line abandonment program and the preparation of economic exhibits to support line abandonment and discontinuance filings made by Norfolk Southern's railroad subsidiaries.

My office prepared Appendix 1(Financial Statement) and Appendix 2 (Commodities by Carloads and Tonnage) to my statement in support of Norfolk Southern Railway Company's (NSR) Petition for Exemption to discontinue rail common carrier service over an NSR-owned and operated rail line extending between milepost CT 32.83 at Williamsburg, Ohio and milepost CT 73.50 at Plum Run, Ohio (referred to herein as the "Line"), and I am sponsoring those appendices. I am also sponsoring Appendix 3 covering the normalized maintenance expense for the line, and Appendix 4 (Net Liquidation Value). Finally, attached as Appendix 5 are the workpapers from which

much of the cost evidence set forth in my testimony and in the other Appendices to my testimony derives.

The subject line segment is part of a line of railroad that extends between Cincinnati and Portsmouth, Ohio which was originally part of the Norfolk and Western Railway system. Immediately to the east of, and contiguous to, the subject Cincinnati – Plum Run line segment is another line segment extending from Plum Run to Vera (Portsmouth), Ohio. This latter segment has been out-of-service since 2008 and will be the subject of a separate discontinuance exemption proceeding. The Clare (Cincinnati) – Williamsburg, Ohio segment immediately to the west of and contiguous with the subject line has been leased and operated by CCET, LLC since April 27, 2014¹. NSR's Engineering Department had determined that the Williamsburg – Plum Run segment which is the subject of this proceeding could no longer be safely operated and service to the sole remaining customer at Winchester, Ohio was suspended. The subject segment was taken out of service on April 27, 2014 and was formally embargoed on May 13, 2014.

Rail traffic on the Williamsburg – Plum Run segment which is the subject of this petition declined 38% from 2011 to 2013, as shown in Appendix 2. The sole remaining customer at Winchester, Winchester Ag Service Company, ships outbound grain seasonally, and the volumes shipped are insufficient to sustain the line.

Maintenance and Rehabilitation Required on the Line

¹ See *CCET, LLC – Lease and Operation Exemption – Rail Line of Norfolk Southern Railway Company*, STB Docket No. FD 35810, (STB served April 4, 2014).

I will discuss below two separate estimates of engineering costs: First, the cost of the immediate rehabilitation of the line which, in the opinion of NSR's engineers, would be required for resumed operation; and second, the average annual cost of normalized maintenance required for the entire line. Each of these cost estimates relate to the restoration and maintenance of the line to Federal Railroad Administration (FRA) Class I track safety standards set forth in 49 CFR Part 213, which would permit operation of the line at track speeds not greater than ten miles per hour. The costs, production rates and other parameters embodied in these estimates (much of which is included in the attached workpapers) were developed from company records maintained in the normal course of conducting business.

Rehabilitation

Track Rehabilitation

As stated above, the line was taken out of service by NSR's Engineering Department April 27, 2014, due to track conditions and subsequently formally embargoed. In order to resume service on the line, the entire line segment between mileposts FD CT 32.83 and 73.50, totaling 40.67 miles, would require immediate timbering and surfacing². This segment was last timbered and surfaced in 1991-1996.

In the opinion of NSR's Engineering Department, timbering and surfacing over these 40.67 miles using 800 new Grade 5 crossties and 800 tons of ballast per mile would be required immediately to restore the line to safe operating condition in keeping with the FRA Class I standard which requires 5 to 7 good ties every 39 feet. The poor

² *Timbering* refers to the replacement of defective crossties; *surfacing* refers to restoration of the track's cross level and vertical alignment.

tie condition on the line is a result of tie age as the newest of the ties are 18 years old. This work would be done by a production system gang using efficient track equipment. NSR practice is to have a single mechanized gang perform both timbering and surfacing at the same time. The estimated total cost to perform this work is \$5,588,058. As explained above, this work would need to be done during the Forecast/Subsidy Year in order for the line to resume operation

Normalized Maintenance

The Normalized Maintenance Projection for the line is contained in Appendix 3 to the Petition. Routine (or “normalized”) maintenance tasks are itemized in the projection, and include weekly inspection of the line in accordance with FRA regulations, general track repairs (such as gauging, spot surfacing and sinkhole repair), periodic testing of the rail to detect internal defects, and vegetation control to prevent fouling of ballast. Various routine bridge and culvert repairs are also required, as are periodic testing and maintenance of the twenty-three signaled public crossings on the line, as required by FRA regulations. Brush cutting will be scheduled on a seven-year cycle, and the ballast will be sprayed with herbicide annually, while ditching will be required every three years.

Additional Capital Maintenance Expenditures Required

Additional capital maintenance expenditures would be required in the years beyond the Forecast/Subsidy year were the line to resume service and be retained in operation. While these costs do not appear in the cost presentation in the *pro forma* income statement in Appendix 1, they do provide context to those costs and

demonstrate that the rehabilitation cost is not an isolated event, but is part of a continuum of ongoing maintenance requirements.

For example, replacement of 12.5 miles of the rail on the line with serviceable used (relay) rail on the line between mileposts CT 61.0 and CT 73.5 would be required in 2015. The estimated cost for this rail replacement is \$4,712,500. The deck plate girder bridge at milepost CT 43.8 over State Route 74 would require repairs in 2015 at a cost of \$100,000 and the deck plate girder bridge at milepost CT 64.99 over the West Fork of Ohio Brush Creek would require repairs in 2018 costing \$250,000. Eight bridges on the line segment will require deck replacement over the next ten years at a total cost of \$1,230,000.³ The bridges that will need deck replacement are generally spread out across the Line at Milepost CT-33.59, CT-43.80, CT-44.01, CT-40.92, CT-64.99, CT-69.23, CT-46.87, and CT-58.85. In 2015 alone, NSR would have to spend \$304,000 for deck replacement for bridges located at milepost CT-33.59 and CT-43.80.

Financial Analysis

The designated Base Year for this abandonment proceeding is April 2013 through March 2014. In accordance with the Board's regulations found at 49 CFR §1152.2(h), the Forecast Year is September 2014 through August 2015. The Subsidy Year is the same as the Forecast Year. The NSR Financial Exhibits appended to this statement incorporate information gathered from a variety of NS departments which is maintained in the ordinary course of business by custodians who have a business duty to do so.

³ The bridge repair costs are listed on sheet 2 of Appendix 3.

Appendix 1 illustrates the branch's revenues, expenses and opportunity costs for the Base, Forecast and Subsidy years, based on a *pro forma* operation of the line. As discussed above, substantial rehabilitation of the line would be required in order for operations to resume. Appendix 2 shows that the carloads NSR originated or terminated on the line declined from 191 in 2011 to 94 in 2013, then increased modestly to 113 in the Base Year. Line 17 on Appendix 1 shows that the branch's avoidable loss was \$325,254 for the Base Year, and we project an avoidable loss of \$332,491 for the Forecast Year. I do not believe that this line can be operated profitably, and the cost evidence NS has assembled bears this out. Moreover, these operating losses do not include any part of the rehabilitation costs of \$5,588,058, which NSR must incur to return the line to service and comply with FRA regulations.

Revenue attributable (lines 1-4)

Revenues attributable to the branch were developed from sources that are available in the normal course of conducting business. The settled carload freight revenue of \$389,500 for the Base Year, and each carload's related statistical information which includes the origin, destination; commodity; lading weight; car type; class of traffic; and rail miles, were developed from NSR's Traffic History databases. Carloads and tons for the 113 cars in NSR's account during the Base Year are shown in Appendix 2.

Forecast Year carloads attributable to the branch are assumed to be the same as for the Base Year. Forecast year revenues were developed by indexing the base year revenues using the Gross Domestic Product Implicit Price Deflator, Seasonally Adjusted, Quarterly Series, 2010=100 (GDP Deflator). GDP Deflator values for the

period encompassing the base year were derived from quarterly data published by the U.S. Department of Commerce, Bureau of Economic Analysis (BEA). Forecast year GDP Deflator values were derived from forecasted values for the four quarters ending with the quarter in which the forecast year terminates. Forecast year GDP deflator projected values were provided by IHS Global Insight. The adjustment factor produced by comparing the Base and Forecast/Subsidy Year GDP deflators is 2.81%. The indexed forecast year total revenue is therefore \$400,452.

Maintenance of Way and Structures expense (line 5a)

The calculation of the normalized maintenance expense included in Appendix 1, line 5a, is discussed above. The Forecast/Subsidy Year normalized maintenance expense is \$374,358, the average annual routine maintenance cost shown in Appendix 3, which is denominated in 2014 dollars. The Base Year normalized Maintenance expense, indexed to the GDP Deflator, is therefore \$364,119.

Locomotive replacement cost

Locomotive replacement cost is determined in accordance with the Board's regulations found at 49 CFR §1152.32(o)(1). General Managers Association (GMA) Horsepower Classification Category 8 locomotives⁴ are used on the line. The last acquisition by NSR of a locomotive in this category occurred in 2012. NSR's accounting department has supplied the original acquisition cost of these 2012-acquired locomotives, which is \$2,599,245. This original acquisition cost has been indexed to the base and forecast years using the U.S. Department of Labor, Bureau of Labor Statistics monthly Producer Price Index – Railroad Equipment, 1982=100 (PPI-RE). The

⁴ A 4,400 horsepower six-axle unit is used.

composite PPI-RE for the months comprising the base year is 195.96. The average of forecasted values for PPI-RE for July-September 2014 as contained in the Association of American Railroads (AAR) submission to the Board for the third quarter 2014 Rail Cost Adjustment Factor (RCAF), which is 196.30, has been used as a proxy for the forecast year PPI-RE. The 2012 index value in the PPI-RE series 1982=100 is 191.8. The Base and Forecast/Subsidy Year locomotive replacement costs thus produced are \$2,655,803 and \$2,660,433, respectively.

Maintenance of equipment (line 5b)

Maintenance of equipment expenses included in Appendix 1 were developed in accordance with the Board's regulations found at 49 CFR §1152.32(o) and 49 CFR §1152.33(b)(1),(2), and (3). Train operations are discussed in the Transportation section below.

Locomotive repair and maintenance expenses were calculated in accordance with the Board's regulations found at 49 CFR §1152.33(b)(1).

The maintenance of equipment fringe benefits cost was calculated in accordance with 49 CFR §1152.33(b)(3). The fringe benefit rate calculated for the Base Year is 40.76%.

The locomotive depreciation expenses were calculated in accordance with the Board's regulations found at 49 CFR §1152.32(o) and 49 CFR §1152.33(b)(2). The NSR composite locomotive depreciation rate specified in 49 CFR §1152.32(o)(2) is 3.44% for 2013, the latest year for which Form R-1 data is available, and according to information developed from NSR's Locomotive Information System, the average age of Category 8 locomotives in 2012 was 13.5 years.

Transportation (line 5c)

Transportation expenses included in Appendix 1 were developed for the *pro forma* train operations in accordance with the Board's regulations. When it was in operation during the Base Year,⁵ the Clare (Cincinnati) – Plum Run line (which includes the Williamsburg – Plum Run segment) was served five days per week by local assignment T51, which used one six-axle 4,400 horsepower locomotive. Local train T51 had a two-person crew which went on and off duty at Sharonwood Yard in the NSR Cincinnati Terminal area. A total of 262 crew starts were operated during the Base Year. Prior to the suspension of service earlier this year, the T51 crew made up its train at Sharonwood and proceeded eastward through Cincinnati Terminal. It entered the CT line at Clare Yard, performing switching as required on the 24 miles between Clare and Williamsburg. On occasions when the customer at Winchester (approximately 24 miles distant from Williamsburg) required switching, the crew would have to utilize two tours of duty to make the round trip. Because there is no place at Winchester to turn the train, it is necessary for the crew to turn at the end of the line. Thus in order to serve Winchester, the train must travel the entire length of the line and back, a round trip distance of over 81 miles. Since the line is limited to a speed of ten miles per hour, an entire tour of duty is required to serve Winchester upon entering the line at Williamsburg.

Car movement records indicate that Winchester was served 17 times during the Base Year, thus 17/262 or 6.5% of the T51 crew tours of duty were attributable to Winchester service. Thus 6.5% of the T51 assignment's actual compensation during the

⁵ Operations on the Williamsburg – Plum Run line segment were terminated as of April 27, 2014, as discussed above.

Base Year is attributed to the branch as crew costs, for a total of \$13,812, including fringe benefits.

Expenses for engine and train crew materials, train inspection and lubrication labor and materials were calculated in accordance with the Board's regulations found at 49 CFR §1152.33(c)(1)(i). Forecast/Subsidy Year expenses for engine and train crew materials, train inspection and lubrication labor and materials were developed by indexing Base Year expenses by the GDP deflator.

Locomotive fuel expenses were calculated in accordance with the Board's regulations found at 49 CFR §1152.33(c)(1)(ii). Forecast/Subsidy Year locomotive fuel expenses were developed by indexing Base Year expenses by the GDP deflator.

Locomotive servicing expenses were calculated in accordance with the Board's regulations found at 49 CFR §1152.33(c)(1)(iv). Forecast/Subsidy Year locomotive servicing expenses were developed by indexing base year expenses by the GDP deflator.

Transportation fringe benefit costs were calculated in accordance with the Board's regulations found at 49 CFR §1152.33(c)(4)(i). The fringe benefit rate thus calculated for the base year is 44.01%. Forecast/Subsidy Year fringe benefit costs were developed by indexing base year expenses by the GDP deflator.

Freight car costs (lines 5g and 5i)

Freight car costs calculations required the development of separate unit cost factors for car-day rates per day and car-mile rates per mile by car type for repair and depreciation, return on value, depreciation only, and holding gain (loss). NSR's Costs

Department developed those rates in accordance with the Board's regulations found at 49 CFR §1152.32(g).

The Costs Department also calculated the actual car days on branch based on NSR car movement records. The average car spent 8.9 days on-branch. My office developed the total car days and the car miles on-branch for the line's traffic and calculated the freight car costs. The return on value for the forecast year includes an adjustment for the holding gain (loss). Forecast/Subsidy Year freight car costs were indexed by the GDP Deflator.

Return on value for locomotives (line 5h)

Locomotive return on value expenses were calculated in accordance with the Board's regulations found at 49 CFR §1152.32(h). NSR locomotive purchase cost is discussed above in the section captioned:

Transportation. Off-branch costs (line 6)

"Off-branch costs" are those costs incurred by NSR on the remainder of its railroad system in moving rail shipments to and from the line segment which is the subject of this abandonment. Off-branch costs are computed in accordance with 49 CFR § 1152.32(n) and are determined using the Uniform Rail Costing System (URCS) formula, which is applied to the Form R-1 that NSR annually files with the Board. Off-branch costs to or from an NSR origin, destination or point of interchange not on the branch line reflect characteristics of the movement such as car type, car ownership, weight and distance.

The unit costs used to compute off-branch costs result from the application of 2012 URCS data, which is the latest available. The Costs Department calculated the

Base Year off-branch costs at my request and supplied car movement information to permit calculation of freight car returns and holding gain or loss. Forecast/Subsidy Year off-branch costs were indexed by the GDP Deflator.

Valuation of property (lines 12a, b and c)

The valuation of property (lines 12a, b and c) is the sum of working capital and net liquidation value less income tax consequences. Working capital expenses for the Williamsburg – Plum Run segment forecast year were calculated in accordance with the Board’s regulations found at 49 CFR §1152.34(c)(1)(i) by calculating forecast year on-branch avoidable costs less locomotive depreciation and freight car depreciation and then multiplying the result by 15/365 or 0.0411 to produce 15 days’ worth:

A. On-branch avoidable costs (Appendix 1, line 5)	\$430,282
B. Locomotive depreciation	6,955
C. Freight car depreciation	<u>1,209</u>
D. Avoidable costs less depreciation (A-B-C)	\$422,118
E. Working capital (D x 0.041)	\$17,347

Income tax consequences are \$1,623,067, the estimated net liquidation value of the track at the end of the forecast year, \$4,386,668, multiplied by 37%, the composite federal and state tax income rate. The net liquidation value is the sum of the net salvage value of the track and structures on the right-of-way plus the net liquidation value of the right-of-way land which is held in fee for the branch. The current net salvage value of the track and structures for the line is \$4,315,525. Although the underlying land has value, I have elected to exclude that value for the purposes of NSR’s case-in-chief. The net liquidation value is adjusted for a holding gain projected to occur during the forecast year. A figure of 2.81%, developed using predicted changes in the GDP Deflator during the forecast year, was applied to the current net liquidation

value to produce the estimated holding gain, \$121,348. The net liquidation value at the end of the forecast year is thus \$4,436,873.

Nominal rate of return and nominal return on road properties (lines 13 and 14)

The nominal rate of return, Appendix 1, line 13, was calculated in accordance with the Board's decision in Railroad Cost of Capital – 2013, Ex Parte No. 558 (Sub-No. 17), served July 31, 2014 and the Board's regulations found at 49 CFR §1152.34(d). The current nominal before tax cost of capital rate thus calculated is 17.58%.

The nominal return on road properties, Appendix 1, line 14, was calculated by multiplying the valuation of property by 17.58%.

Holding gain (loss) on road properties (line 15)

As discussed in the Valuation of Property section above, the estimated holding gain during the Forecast/Subsidy Year is \$121,348.

Verification

I, Marcellus C. Kirchner, verify under penalty of perjury that I am Director Strategic Planning of Norfolk Southern Corporation, that I have read the foregoing document and know its contents, and that the same is true and correct to the best of my knowledge and belief.

Executed on September 23, 2014.



Marcellus C. Kirchner

**BEFORE THE
SURFACE TRANSPORTATION BOARD
WASHINGTON, DC**

STB Docket No. AB-290 (Sub-No. 370X)

**NORFOLK SOUTHERN RAILWAY COMPANY
– DISCONTINUANCE OF SERVICE EXEMPTION –
IN CLERMONT, BROWN AND ADAMS COUNTIES, OHIO**

PETITION FOR EXEMPTION

EXHIBIT D

MARCELLUS C. KIRCHNER

APPENDIX 1 – PRO FORMA INCOME STATEMENT

Surface Transportation Board Docket No. AB 290 (Sub-No. 370X)Norfolk Southern Railway CompanyPro Forma Income StatementProposed Discontinuance of ServiceWilliamsburg - Plum Run, OH - Milepost CT 32.83 to CT 73.50

Kirchner V.S.

Page 15

Railway operating revenues and expenses* for the Williamsburg - Plum Run, OH line segment (40.67 miles total distance).

	Base Year Operations ¹	Forecast Year Operations ²	Projected Subsidy Year Operations ²
CARLOADS:	113	113	113
REVENUES ATTRIBUTABLE FOR:			
1 Freight originated and/or terminated on branch	\$ 389,500	\$ 400,452	\$ 400,452
2 Bridge traffic	0	0	0
3 All other revenue and income	0	0	0
4 TOTAL REVENUES ATTRIBUTABLE (Lines 1 through 3)	\$ 389,500	\$ 400,452	\$ 400,452
AVOIDABLE COSTS FOR:			
5 ON-BRANCH COSTS:	\$ 420,370	\$ 430,282	\$ 430,282
a. Maintenance of Way and Structures	364,119	374,358	374,358
b. Maintenance of Equipment	12,646	12,818	12,818
c. Transportation	13,852	14,241	14,241
d. General Administrative	0	0	0
e. Deadheading, Taxi and Hotel	2,605	2,678	2,678
f. Overhead Movement	0	0	0
g. Freight Car Costs (other than return on freight cars)	4,277	4,397	4,397
h. Return on Value - Locomotives	19,005	17,815	17,815
i. Return on Value - Freight Cars	3,867	3,975	3,975
j. Revenue Taxes	0	0	0
k. Property Taxes	0	0	0
6 OFF-BRANCH COSTS:	\$ 294,383	\$ 302,661	\$ 302,661
a. Off-Branch Costs (other than return on freight cars)	276,772	284,555	284,555
b. Return on Value - Freight Cars	17,611	18,106	18,106
7 TOTAL AVOIDABLE COSTS (line 5 plus line 6)	\$ 714,754	\$ 732,943	\$ 732,943
SUBSIDIZATION COSTS FOR:			
8 Rehabilitation		\$ 5,588,058	\$ 5,588,058
9 Administration Costs (subsidy year only)			4,005
10 Casualty Reserve Account			
11 TOTAL SUBSIDIZATION COSTS (lines 8 through 10)		\$ 5,588,058	\$ 5,592,063
RETURN ON VALUE:			
12 Valuation of property (lines 12a through 12c)		\$ 6,095,863	\$ 6,095,863
a. Working capital		17,347	17,347
b. Income tax consequences		1,641,643	1,641,643
c. Net liquidation value		4,436,873	4,436,873
13 Nominal rate of return		17.58%	17.58%
14 Nominal return on value (line 12 times line 13)		\$ 1,071,653	\$ 1,071,653
15 Holding gain (loss)		121,348	121,348
16 TOTAL RETURN ON VALUE (line 14 minus line 15)		\$ 950,305	\$ 950,305
17 AVOIDABLE LOSS FROM OPERATIONS (line 4 minus line 7)	\$ (325,254)	\$ (332,491)	\$ (332,491)
18 ESTIMATED FORECAST YEAR LOSS FROM OPERATIONS (line 4 minus lines 7 and 16)		\$ (1,282,796)	\$ (1,282,796)
19 ESTIMATED SUBSIDY (line 4 minus lines 7, 11 and 16)			\$ (6,874,859)

* Derived from Norfolk Southern Corporation (NS) combined railroad subsidiaries information.

1. April 2013 - March 2014 is the Base Year.

2. September 2014 - August 2015 is the forecast year and the subsidy year

**BEFORE THE
SURFACE TRANSPORTATION BOARD
WASHINGTON, DC**

STB Docket No. AB-290 (Sub-No. 370X)

**NORFOLK SOUTHERN RAILWAY COMPANY
– DISCONTINUANCE OF SERVICE EXEMPTION –
IN CLERMONT, BROWN AND ADAMS COUNTIES, OHIO**

PETITION FOR EXEMPTION

EXHIBIT D

MARCELLUS C. KIRCHNER

APPENDIX 2 – COMMODITIES BY CARLOAD AND TONNAGE

Appendix 2

Docket No. AB 290 (Sub-No. 370X)

COMMODITIES BY CARLOADS AND TONNAGE
49 C.F.R. § 1152.22(e)(2)

Commodity	STCC	2011		2012		2013		12 Months Ending March 2014 (Base year)	
		Cars	Tons	Cars	Tons	Cars	Tons	Cars	Tons
Corn, shelled (not popcorn)	0113215	151	15,058	99	10,300	93	9,744	112	11,606
Soybeans Dried	0114410	38	3,799						
Railway Freight Cars, Empty	3742217					1	0	1	0
Lumber, Timber	2421184	2	195	4	320				
Lumber, Boards	2421180			1	82				
Totals:		191	19,052	104	10,702	94	9,744	113	11,606

Customers on line:

Winchester Ag Service Co.
1350 Tri-County Road
Winchester, OH 45697
(937) 695-0388

J McCoy Lumber Co. LTD
6 N. Main St
Peebles, OH 45660-1243
(937) 587-2555

**BEFORE THE
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WASHINGTON, DC**

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EXHIBIT D

MARCELLUS C. KIRCHNER

APPENDIX 3 – NORMALIZED MAINTENANCE PROJECTION

NORMALIZED MAINTENANCE PROJECTION
2014 to 2023
Willaimsburg - Plum Run, OH - CLASS 1

				MILEPOSTS CT		32.83	73.50	40.67 ROUTE MILES					
				Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
				2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
ROUTINE WORK													
INSPECTION - once weekly			\$37,358 PER YEAR	37,358	37,358	37,358	37,358	37,358	37,358	37,358	37,358	37,358	37,358
GENERAL TRACK REPAIR			\$2,498 PER MILE	101,594	101,594	101,594	101,594	101,594	101,594	101,594	101,594	101,594	101,594
DITCHING - every 3 years			\$15,565 PER YEAR	15,565			15,565			15,565			15,565
BRUSH CUTTING - every 7 years			\$1,266 PER MILE	51,488							51,488		
RAIL TESTING - once per year			\$126 PER MILE	5,124	5,124	5,124	5,124	5,124	5,124	5,124	5,124	5,124	5,124
VEGETATION CONTROL													
BALLAST - annual			\$15,588 PER YEAR	15,588	15,588	15,588	15,588	15,588	15,588	15,588	15,588	15,588	15,588
CROSSINGS - annual - 75 crossings			\$37,523 PER YEAR	37,523	37,523	37,523	37,523	37,523	37,523	37,523	37,523	37,523	37,523
BRUSH - every third year			\$8,938 PER YEAR		8,938			8,938			8,938		
SIGNAL SYSTEM			\$146,608 PER YEAR	146,608	146,608	146,608	146,608	146,608	146,608	146,608	146,608	146,608	146,608
BRIDGE REPAIRS/INSPECTIONS			\$11,358 BRIDGE DEPT.	11,358	11,358	11,358	11,358	11,358	11,358	11,358	11,358	11,358	11,358
ROUTINE	SUBTOTAL			\$422,206	\$364,091	\$355,153	\$370,718	\$364,091	\$355,153	\$370,718	\$415,579	\$355,153	\$370,718
PROGRAM WORK													
DUAL RENEWAL (NEW)	Var Miles		\$377,000 PER MILE		4,712,500								
TIMBER AND SURFACE	Var Miles		\$137,400 PER MILE	5,588,058									
SURFACING	Var Miles		PER MILE										
TIE DECK REPLACEMENT			BRIDGE DEPT.		304,000	105,000		61,000	357,000			99,000	304,000
BRIDGE/CULVERT RENEWAL			BRIDGE DEPT.		100,000			250,000					
PROGRAM	SUBTOTAL			\$5,588,058	\$5,116,500	\$105,000	\$0	\$311,000	\$357,000	\$0	\$0	\$99,000	\$304,000
MAINTENANCE TOTAL				\$6,010,264	\$5,480,591	\$460,153	\$370,718	\$675,091	\$712,153	\$370,718	\$415,579	\$454,153	\$674,718

MAINTENANCE SUMMARY:	ROUTINE MAINTENANCE WORK				PROGRAM MAINTENANCE WORK				LINE TOTAL
	RDWY	BRIDGE	SIGNAL	TOTAL	RDWY	BRIDGE	SIGNAL	TOTAL	
TEN YEAR PROJECTED TOTAL =	\$2,163,921	\$113,580	\$1,466,080	\$3,743,581	\$10,300,558	\$1,580,000	\$0	\$11,880,558	\$15,624,139
ANNUAL COST FOR LINE =	\$216,392	\$11,358	\$146,608	\$374,358	\$1,030,056	\$158,000	\$0	\$1,188,056	\$1,562,414
ANNUAL COST PER MILE =	\$5,321	\$279	\$3,605	\$9,205	\$25,327	\$3,885	\$0	\$29,212	\$38,417

* Program T&S work in 2014 is for mileposts CT 32.83 - 73.50 (40.67 miles)
 * Program rail replacement work in 2015 is for mileposts CT 61.0 - 73.5 (12.5 miles)
 * Signal System (Crossing Inspections) This figure includes the signal maintainer inspecting the 23 signalled crossings. The cost also includes the maintenance of the vehicle the signal maintainer drives.

10-YEAR PROJECTION OF BRIDGE COSTS

4-Aug-14

LINE SEGMENT : E Afton, OH (CT 32.8) to Peebles, OH (MP CT 73.5)

10-YEAR CAPITAL & MAINTENANCE PROGRAM

YEAR	ROUTINE	TIE DECK RENEWALS		CULVERTS		BRIDGE REPAIRS/REPLACEMENTS		YEAR TOTAL			
	BRIDGE MAINTENANCE	MILEPOST	CAPITAL	EXPENSE	MILEPOST	CAPITAL	EXPENSE	MILEPOST DESCRIPTION	CAPITAL	EXPENSE	
2014	\$11,358									\$11,358	
2015	\$11,358	CT-33.59 CT-43.80	\$119,000 \$161,000	\$10,000 \$14,000	NONE	CT-43.80		Bridge Seat Repair		\$100,000	\$280,000 \$135,358
2016	\$11,358	CT-44.01	\$97,000	\$8,000	NONE					\$97,000	\$19,358
2017	\$11,358										\$11,358
2018	\$11,358	CT-40.92	\$56,000	\$5,000	NONE	CT-64.99		Pier Repair		\$250,000	\$56,000 \$266,358
2019	\$11,358	CT-64.99 CT-69.23	\$140,000 \$189,000	\$12,000 \$16,000							\$329,000 \$39,358
2020	\$11,358										\$11,358
2021	\$11,358										\$11,358
2022	\$11,358	CT-46.87	\$91,000	\$8,000							\$91,000 \$19,358
2023	\$11,358	CT-58.85	\$280,000	\$24,000							\$280,000 \$35,358
10-YEAR TOTAL	\$113,580		\$1,133,000	\$97,000		\$0	\$0		\$0	\$350,000	\$1,133,000 \$560,580
10-YEAR AVG.	\$11,358		\$113,300	\$9,700		\$0	\$0		\$0	\$35,000	\$113,300 \$56,058

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**BEFORE THE
SURFACE TRANSPORTATION BOARD
WASHINGTON, DC**

STB Docket No. AB-290 (Sub-No. 370X)

**NORFOLK SOUTHERN RAILWAY COMPANY
– DISCONTINUANCE OF SERVICE EXEMPTION –
IN CLERMONT, BROWN AND ADAMS COUNTIES, OHIO**

PETITION FOR EXEMPTION

EXHIBIT D

MARCELLUS C. KIRCHNER

APPENDIX 4 – NET LIQUIDATION VALUE ESTIMATE

Net Liquidation Value Estimate							
Wikliamsburg - Plum Run, OH							
MP CT 32.83 - 73.50							
40.67 Miles of Track							
Gross Value							
Item	Total Length	Quantity	Unit	Unit Value	Gross Value		
132	#RAIL	214738	ft	8976	NT @	\$399	/NT= \$3,581,437
	#OTM			3517	NT @	\$411	/NT= \$1,445,520
131	#RAIL	0	ft	0	NT @	\$399	/NT= \$0
	#OTM			0	NT @	\$411	/NT= \$0
130	#RAIL	0	ft	0	NT @	\$399	/NT= \$0
	#OTM			0	NT @	\$411	/NT= \$0
115	#RAIL	0	ft	0	NT @	\$399	/NT= \$0
	#OTM			0	NT @	\$411	/NT= \$0
112	#RAIL	0	ft	0	NT @	\$399	/NT= \$0
	#OTM			0	NT @	\$411	/NT= \$0
110	#RAIL	0	ft	0	NT @	\$399	/NT= \$0
	#OTM			0	NT @	\$411	/NT= \$0
100	#RAIL	0	ft	0	NT @	\$399	/NT= \$0
	#OTM			0	NT @	\$411	/NT= \$0
90	#RAIL	0	ft	0	NT @	\$399	/NT= \$0
	#OTM			0	NT @	\$411	/NT= \$0
75	#RAIL	0	ft	0	NT @	\$399	/NT= \$0
	#OTM			0	NT @	\$411	/NT= \$0
60	#RAIL	0	ft	0	NT @	\$399	/NT= \$0
	#OTM			0	NT @	\$411	/NT= \$0
Turnouts				17	EA @	\$2,000	EA= \$34,000
Crossties		0	%	0	EA @	\$5	EA= \$0
Gross Value Subtotal=							\$5,060,957
Removal Costs							
Remove Track and Repair		214738	ft @	\$2.85	/ft =	\$612,002	
Grade Crossings							
Remove Turnouts		17	EA @	\$500	EA=	\$8,500	
Handling Costs		12493	NT @	\$10.00	/NT=	\$124,930	
Removal Costs Subtotal=							\$745,432
Estimated Net Liquidation Value=							\$4,315,525
Value per Mile =							\$106,111

**BEFORE THE
SURFACE TRANSPORTATION BOARD
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EXHIBIT D

MARCELLUS C. KIRCHNER

APPENDIX 5 – WORKPAPERS

Appendix 5

**STB Docket No. AB-290 (Sub-No. 370X)
Norfolk Southern Railway Company Discontinuance of Service Exemption -
In Clermont, Brown and Adams Counties, Ohio**

WORKPAPERS

Category	Horsepower	Year of Last Purchase or Rebuild	Unit Initial	Unit Number	Historic Cost	2010	2011	2012	4/13 - 3/14	9/2014 - 8/2015
1	999 HP and under									
2	1,000 HP - 1,499 HP	2008	NS	999	\$395,450	\$404,667	\$410,373	\$420,907	\$430,032	
3	1,500 HP - 1,749 HP	1982	NS	2400	\$233,571	\$430,705	\$436,778	\$447,989	\$457,702	
4	1,750 HP - 1,999 HP	1952	NS	4271	\$2,059,750					
5	2,000 HP - 2,499 HP	2007	NS	301	\$677,941	\$708,686	\$718,679	\$737,126	\$753,107	
6	2,500 HP - 2,999 HP									
7	3,000 HP - 3,599 HP	2010	NS	6324	\$1,571,904	\$1,571,904	\$1,594,067	\$1,634,984	\$1,670,432	
8	3,600 HP and over	2012	NS	8115	\$2,599,445	\$2,499,154	\$2,534,391	\$2,599,445	\$2,655,803	\$2,660,433
9	Booster	2008	NS	883	\$556,790	\$569,767	\$577,801	\$592,632	\$605,480	

Producer Price Index-Commodities
Original Data Value

Series Id: WPU144
 Not Seasonally Adjusted
 Group: Transportation equipment
 Item: Railroad equipment
 Base Date: 198200
 Years: 1984 to 2013

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Annual
1984	101.5	101.5	101.6	102.3	102.3	102.3	102.9	103.2	103.2	103.6	103.6	103.6	102.6
1985	103.9	104.4	104.7	104.8	104.6	105.0	105.1	105.2	105.2	105.2	105.1	105.2	104.9
1986	105.9	105.5	105.6	105.6	105.3	105.3	106.1	104.9	105.2	105.2	105.2	105.3	105.4
1987	105.2	104.6	104.7	104.6	104.5	104.4	104.7	104.8	104.8	104.6	105.0	105.0	104.7
1988	105.3	104.8	105.5	106.2	107.0	108.1	108.2	108.6	108.8	108.8	109.0	110.2	107.5
1989	111.8	112.2	112.2	114.2	114.2	114.3	114.6	114.6	114.7	114.8	114.9	115.6	114.0
1990	116.3	117.5	117.4	117.6	117.7	118.5	118.5	118.5	119.9	119.9	120.9	120.9	118.6
1991	122.0	121.9	122.2	122.1	122.2	122.2	122.6	122.8	122.8	122.3	121.9	121.8	122.2
1992	122.5	123.2	123.6	123.6	123.7	123.9	124.0	123.9	124.2	124.2	123.8	123.3	123.7
1993	123.6	124.2	124.3	124.5	124.5	124.6	125.0	125.8	126.1	125.7	125.7	127.6	125.2
1994	127.9	128.1	128.5	128.5	128.7	129.0	129.1	129.8	129.9	130.0	130.1	130.2	129.2
1995	130.9	132.7	133.2	134.2	134.7	135.2	135.5	135.7	135.6	136.1	136.6	136.9	134.8
1996	136.7	137.7	137.6	137.8	137.7	137.3	137.3	137.2	137.0	137.0	136.5	136.3	137.2
1997	142.4	136.6	132.2	131.6	134.2	134.3	133.8	133.5	134.2	134.7	134.2	134.3	134.7
1998	134.6	134.5	134.5	135.5	135.3	135.6	135.2	135.3	135.3	134.5	134.3	135.2	135.0
1999	134.6	134.6	134.6	134.5	134.5	135.8	135.9	135.9	135.8	135.7	135.3	135.5	135.2
2000	135.3	135.3	135.6	135.8	135.7	135.8	135.8	135.7	135.9	135.8	135.8	135.8	135.7
2001	135.9	135.9	135.4	135.5	135.6	135.7	135.1	135.1	135.0	134.6	134.5	134.5	135.2
2002	134.9	134.6	135.1	135.0	135.2	135.4	134.9	135.0	134.6	134.5	134.5	134.5	134.9
2003	134.5	135.4	135.5	136.0	136.3	136.3	136.7	136.5	136.9	137.2	137.7	137.3	136.3
2004	137.9	140.1	142.2	142.8	143.5	143.7	143.2	143.5	144.2	145.0	147.0	153.2	143.9
2005	153.4	156.0	161.6	161.1	161.3	161.2	161.5	161.8	161.8	161.7	161.9	162.2	160.4
2006	164.2	165.5	168.2	168.2	169.6	171.3	170.6	170.9	170.4	170.2	170.3	172.7	169.4
2007	173.9	175.6	176.1	174.2	175.6	176.4	177.4	177.4	177.9	177.5	177.7	177.5	176.4
2008	178.4	178.2	177.6	178.7	178.0	181.2	180.8	181.7	182.9	181.9	181.6	180.7	180.2
2009	181.6	181.8	181.6	183.1	180.0	180.0	179.9	179.9	183.8	183.6	183.6	184.4	181.9
2010	184.5	184.7	184.5	184.5	184.6	184.6	184.5	184.5	184.5	184.2	184.2	184.2	184.4
2011	184.9	185.1	187.0	186.6	186.7	186.8	187.3	187.4	187.5	187.5	187.7	189.9	187.0
2012	190.1	190.1	190.6	191.8	191.6	191.5	192.0	190.4	190.9	194.9	193.9	194.1	191.8
2013	196.0	195.2	195.8	195.2	198.1	196.3	195.4	194.5	194.6	195.1	195.2	196.9	195.7
2014	196.0	197.4	196.8	196.3	196.0	196.8							

Forecast of PPI - Rail Equipment in AAR submission to STB for the Third Quarter 2014 quarterly Rail Cost Adjustment Factor (RCAF)

2014	196.300	196.300	196.300
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Shading Legend:

	AAR forecasted values
	BLS estimates
	(no shading) Actual values

Locomotive Cost Indices

Category	Horsepower	Year of Last Purchase or Rebuild	Adjustment Required to 1982 Series	Adjustment Factor	2010	2011	2012	4/13 - 3/14	9/2014 - 8/2015
					184.40	187.00	191.80	195.96	196.30
1	999 HP and under								
2	1,000 HP - 1,499 HP	2008	2008 to 1982	180.20	1.02	1.04	1.06	1.09	1.09
3	1,500 HP - 1,749 HP	1982	None	100.00	1.84	1.87	1.92	1.96	1.96
4	1,750 HP - 1,999 HP	1952	Not Calculated	Not Calculated					
5	2,000 HP - 2,499 HP	2007	2007 to 1982	176.40	1.05	1.06	1.09	1.11	1.11
6	2,500 HP - 2,999 HP								
7	3,000 HP - 3,599 HP	2010	2010 to 1982	184.40	1.00	1.01	1.04	1.06	1.06
8	3,600 HP and over	2012	2012 to 1982	191.80	0.96	0.97	1.00	1.02	1.02
9	Booster	2008	2008 to 1982	180.20	1.02	1.04	1.06	1.09	1.09

Background

Williamsburg - Plum Run, OH - Milepost CT 32.83 - 73.5

Background Data

	Dates	Ending Quarter
Base Year	04/13 - 03/14	2014 Q1
Forecast Year	09/14 - 08/15	2015 Q3

W'burg - Peebles

Beginning Milepost	32.83		
Ending Milepost	73.50		
Total Miles	40.67	81.34	RT

56

Miles to Discontinue	40.67	
Annual Trips	32	Crew Starts

Traffic Originating or Terminating On Branch		
Cars	Revenue	Per Car
113	\$ 389,500	\$ 3,447

Peavine-Central Division

Service Days per Week	<1
Crew Size	2
Roundtrip Mileage Crew Taxied	81.4
Hours Required to Serve Line (includes switching)	9.14
Average MPH Service On Line	10

Winchester, OH is at CT 57.0

Task	Minutes	Hours
40.7 Miles Transit @ 10 MPH	244.2	4.07
Switching at customer locations	60.0	1.00
40.7 Miles Transit @ 10 MPH	244.2	4.07
Total Round Trip Time On Branch	548.4	9.14

Crew Statistics

Crew T51	Gross Earnings	Productivity	Fringe Additive	Add to Net	Hours Attributable to Branch	Total Hours/Day	% On Branch (mileage weighted)	Total Earnings Attributable to Branch
Conductor	\$ 73,217		\$ 32,222			8	6.5%	\$ 6,841
Engineer	\$ 74,597		\$ 32,829			8	6.5%	\$ 6,970
Totals	\$ 147,814		\$ 65,050					\$ 13,812

Locomotive Statistics (from Loco Master)

Category Locomotive Used	8	Dash 9
Number Used	1	
Average Tons	192.9	
2013 Age	13.5	

1. Loco Unit Hours

Background

A. For ownership (Depreciation & ROI)	9.14	x	32	292.5	Annual Locomotive Unit Hours (LUH)		
B. For Usage (fuel)	9.14	x	32	292.5	Annual Locomotive Unit Hours (LUH)		
2. Loco Unit Miles							
Running							
					40.7	One-Way Miles	
					81.3	Round Trip Miles	
					2,602.9	Annual Miles	
Switching	81.3	x	32.0	=			
	1.0	x	6.0	x	32.0	=	192.0
TOTAL							Switching Miles
	2,602.9	+	192.0	=	2,794.9	Locomotive Unit Miles (LUM)	
3. Loco Gross Ton Miles							
	2,794.9	x	192.9	=	539,132.4	Locomotive Gross Ton Miles (LGTM)	

Williamsburg - Plum Run, OH - Milepost CT 32.83 - 73.5
9/23/2014

Williamsburg - Plum Run, OH - Milepost CT 32.83 - 73.5

	ACCOUNT NO.	BASE YEAR		FORECAST	Spreadsheet/Source
		04/13 - 03/14	09/14 - 08/15	YEAR	
GDP Deflator Adjustment:				2.81%	From GDP Deflator Spreadsheet
Revenues:					
1 a. Freight Originated or Terminated On Branch	101		\$389,500	\$400,452	
b. Haulage Performed On Branch	104		0	0	
c. Demurrage	106		0	0	
d. Other			0	0	
2 Bridge Traffic (assignable to branch)			0	0	
3 All Other Revenue and Income			0	0	
4 Total Revenues Attributable (Lines 1 through 3)			389,500	400,452	
Avoidable Cost:					
5 On-Branch Costs (from spreadsheets)					
a. Maintenance of Way and Structures			364,119	374,358	From Engineering
b. Maintenance of Equipment					
1 Locomotives:					
Repairs & Maintenance					
11-21-41 L			1,585	1,630	Loco Repairs
21-21-41 M			3,143	3,231	Loco Repairs
41-21-41 P			326	335	Loco Repairs
61-21-41 G			3	3	Loco Repairs
Fringe Benefits			646	664	Loco Repairs
Depreciation			6,943	6,955	Loco Depreciation
62-21-00 G			12,646	12,818	
Total Locomotives			20,646	20,818	
2 Other			0	0	
Total Equipment			12,646	12,818	
c. Transportation					
1 Train Operations					
Engine Crews					
11-31-56 L			6,970	7,166	Transportation
21-31-56 M			0	0	Crew Materials
Train Crews					
11-31-57 L			6,841	7,033	Transportation
21-31-57 M			1	1	Crew Materials
Train Inspection & Lubrication					
11-31-62 L			39	40	Crew Materials
21-31-62 M			0	0	Crew Materials
Locomotive Fuel			0	0	Loco Fuel
Servicing Locomotives					
11-31-69 L			1	1	Loco Service
21-31-69 M			0	0	Loco Service
41-31-69 P			0	0	Loco Service
61-31-69 G			0	0	Loco Service
Fringe Benefits			0	0	Included in labor
12-31-00 G			0	0	
Total Transportation			13,852	14,241	
d. General Administrative			0	0	
e. Deadhead, Taxi and Hotel			2,605	2,678	Transportation
f. Overhead Movement			0	0	
g. Freight Car Costs (other than return on freight cars)			4,277	4,397	Car Cost
h. Return on Value - Locomotives			19,005	17,815	Loco ROI
i. Return on Value - Freight Cars			3,867	3,975	Car Cost
j. Revenue Taxes			0	0	
k. Property Taxes			0	0	
l. Total (Lines 5a through 5k)			420,370	430,282	
o. Net On-Branch Costs (Lines 5l-(5m+5n))			420,370	430,282	
6 Off-Branch Costs			294,383	302,661	
a. Off-Branch Costs (other than return on freight cars)			276,772	284,555	Cost Department
b. Return on Value - Freight Cars			17,611	18,106	Cost Department
7 Total Avoidable Costs (Line 5o + 6d)			714,753	732,943	
Subsidization Costs:					
8 Rehabilitation				5,588,058	Timber and surface 7.7 miles
9 Administrative Costs				4,005	1% of total revenue on branch
10 Casualty Reserve Account				0	
11 Total Subsidization Costs (Lines 8 through 10)				5,592,063	
12 Valuation of Road Properties (Lines 12a through 12c)					
(a) Working Capital				17,347	Working Capital
(b) Income Tax Consequences				1,641,643	Working Capital
(c) Net Liquidation Value				4,436,873	Working Capital
Total Valuation of Properties				6,095,863	Working Capital
13 Nominal Rate of Return				17.58%	Pre Tax nominal rate
14 Nominal Return on Value (Line 12 * Line 13)				1,071,653	
15 Holding Gain/Loss on Road Properties				121,348	
16 Return on Value (Line 14-15)				950,305	
17 Avoidable Loss (profit) from Operations (Line 7-4)			325,253	332,491	
(excludes nominal return on value and opportunity cost, which are avoidable costs)					
18 Avoidable Loss Including Return on Value (Line 7-4+16)				1,282,796	
19 Avoidable Loss Including Subsidization Costs and Return on Value (Line 4-7+11+16)				6,874,859	

Williamsburg - Plum Run, OH - Milepost CT 32.83 - 73.5

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LOCOMOTIVE RETURN ON INVESTMENT

Williamsburg - Plum Run, OH - Milepost CT 32.83 - 73.5

	<u>Base Year</u> <u>04/13 - 03/14</u>
	<u>GMA'S LOCO</u> <u>CAT 8</u>
A. SYSTEM LOCO UNIT HOURS	10,062,857
B. SYSTEM LOCO UNITS	2,615.0
C. SYS LOCO UNIT HRS./LOCO UNIT (LINE A / LINE B)	3,848
D. REPLACEMENT COST	\$2,655,803
E. DEPRECIATION RATE	3.44%
F. ANNUAL DEPRECIATION (LINE D x LINE E)	\$91,360
G. LOCO AGE	13.5
H. ACCUMULATED DEPRECIATION (LINE F x LINE G)	\$1,233,360
I. NET INVESTMENT (LINE D - LINE H)	\$1,422,443
J. COST OF CAPITAL	17.58%
K. ANNUAL ROI (LINE I x LINE J)	\$250,065
L. LOCO UNITS BY CATEGORY (100% SAMPLE)	1
M. TOTAL LOCO UNITS IN SAMPLE	1
N. RATIO LOCO UNITS BY CATEGORY (LINE L / LINE M)	1.00
O. LOCO UNIT HOURS ON BRANCH	292.5
P. LOCO UNIT HOURS ON BRANCH BY LOCO CATEGORY (LINE N x LINE O)	292.0
Q. RATIO LOCO UNIT HOURS ON BRANCH TO SYS LOCO UNIT HOURS PER LOCO UNIT (LINE P / LINE C)	0.076
R. ANNUAL ROI ON BRANCH (LINE K x LINE Q)	\$19,005
S. TOTAL ROI (SUM OF LINE R AMOUNTS)	

Net Investment for Category 5 locomotives is equal to zero because the annual depreciation rate times the average age exceeds 100%.

Williamsburg - Plum Run, OH - Milepost CT 32.83 - 73.5
9/23/2014

Loco ROI

	<u>Forecast Year</u> <u>09/14 - 08/15</u>
	<u>GMA'S LOCO</u> <u>CAT 8</u>
A. SYSTEM LOCO UNIT HOURS	10,062,857
B. SYSTEM LOCO UNITS	2,615
C. SYS LOCO UNIT HRS./LOCO UNIT (LINE A / LINE B)	3,848
D. REPLACEMENT COST	\$2,660,433
E. DEPRECIATION RATE	3.44%
F. ANNUAL DEPRECIATION (LINE D x LINE E)	\$91,519
G. LOCO AGE	14.5
H. ACCUMULATED DEPRECIATION (LINE F x LINE G)	\$1,327,026
I. NET INVESTMENT (LINE D - LINE H)	\$1,333,407
J. COST OF CAPITAL	17.58%
K. ANNUAL ROI (LINE I x LINE J)	\$234,413
L. LOCO UNITS BY CATEGORY (100% SAMPLE)	1
M. TOTAL LOCO UNITS IN SAMPLE	1
N. RATIO LOCO UNITS BY CATEGORY (LINE L / LINE M)	1.00
O. LOCO UNIT HOURS ON BRANCH	292.48
P. LOCO UNIT HOURS ON BRANCH BY LOCO CATEGORY (LINE N x LINE O)	292.0
Q. RATIO LOCO UNIT HOURS ON BRANCH TO SYS LOCO UNIT HOURS PER LOCO UNIT (LINE P / LINE C)	0.076
R. ANNUAL ROI ON BRANCH (LINE K x LINE Q)	\$17,815
S. TOTAL ROI (SUM OF LINE R AMOUNTS)	

Net Investment for Category 5 locomotives is equal to zero because the annual depreciation rate times the average age exceeds 100%.

Williamsburg - Plum Run, OH - Milepost CT 32.83 - 73.5
9/23/2014

Loco Depreciation

LOCOMOTIVE DEPRECIATION

Williamsburg - Plum Run, OH - Milepost CT 32.83 - 73.5

**Base Year
04/13 - 03/14**

**GMA'S LOCO
CAT 8**

A. SYSTEM LOCO UNIT HOURS	10,062,857
B. SYSTEM LOCO UNITS	2,615
C. SYS LOCO UNIT HRS./LOCO UNIT (LINE A / LINE B)	3,848
D. REPLACEMENT COST	\$2,655,803
E. DEPRECIATION RATE	3.44%
F. ANNUAL DEPRECIATION (LINE D x LINE E)	\$91,360
G. LOCO UNITS BY CATEGORY (100% SAMPLE)	1
H. TOTAL LOCO UNITS IN SAMPLE	1
I. RATIO LOCO UNITS BY CATEGORY (LINE G / LINE H)	1.0
J. LOCO UNIT HOURS ON BRANCH	292
K. LOCO UNIT HOURS ON BRANCH BY LOCO CATEGORY (LINE I x LINE J)	292
L. RATIO LOCO UNIT HOURS ON BRANCH TO SYS LOCO UNIT HOURS PER LOCO UNIT (LINE K / LINE C)	0.076
M. ANNUAL DEPRECIATION ON BRANCH (LINE F x LINE L)	\$6,943
N. TOTAL DEPRECIATION (SUM OF LINE M AMOUNTS)	

Net Investment for Category 5 locomotives is equal to zero because the annual depreciation rate times the average age exceeds 100%.

*Williamsburg - Plum Run, OH - Milepost CT 32.83 - 73.5
9/23/2014*

Loco Depreciation

LOCOMOTIVE DEPRECIATION
Williamsburg - Plum Run, OH - Milepost CT 32.83 - 73.5

	<u>Forecast Year</u> <u>09/14 - 08/15</u>
	<u>GMA'S LOCO</u> <u>CAT 8</u>
A. SYSTEM LOCO UNIT HOURS	10,062,857
B. SYSTEM LOCO UNITS	2,615
C. SYS LOCO UNIT HRS./LOCO UNIT (LINE A / LINE B)	3,848
D. REPLACEMENT COST	\$2,660,433
E. DEPRECIATION RATE	3.44%
F. ANNUAL DEPRECIATION (LINE D x LINE E)	\$91,519
G. LOCO UNITS BY CATEGORY (100% SAMPLE)	1
H. TOTAL LOCO UNITS IN SAMPLE	1
I. RATIO LOCO UNITS BY CATEGORY (LINE G / LINE H)	1.0
J. LOCO UNIT HOURS ON BRANCH	292
K. LOCO UNIT HOURS ON BRANCH BY LOCO CATEGORY (LINE I x LINE J)	292
L. RATIO LOCO UNIT HOURS ON BRANCH TO SYS LOCO UNIT HOURS PER LOCO UNIT (LINE K / LINE C)	0.076
M. ANNUAL DEPRECIATION ON BRANCH (LINE F x LINE L)	\$6,955
N. TOTAL DEPRECIATION (SUM OF LINE M AMOUNTS)	\$6,955

Net Investment for Category 5 locomotives is equal to zero because the annual depreciation rate times the average age exceeds 100%.

Crew Materials

CREW MATERIALS (TRAIN & ENGINE) AND TRAIN INSPECTION AND LUBRICATION

Williamsburg - Plum Run, OH - Milepost CT 32.83 - 73.5

Base Year
04/13 - 03/14

	ENGINE CREW MATERIAL (21-31-56)	TRAIN CREW MATERIAL (21-31-57)	TRAIN INSPECTION & LUBRICATION	
			WAGES (11-31-62)	MATERIALS (21-31-62)
A. SYSTEM EXPENSES	\$264	\$2,336	\$68,087	\$100
B. CAR MILE PORTION RATIO	27%	27%	27%	27%
C. SYSTEM CAR MILE EXPENSES (LINE A x LINE B)	\$72	\$638	\$18,602	\$27
D. SYSTEM CAR MILES L & E (RR OWN & LEA, PVT & NO PAY MI)	4,399,390	4,399,390	4,399,390	4,399,390
E. SYSTEM EXPENSES PER CAR MILE L/E (LINE C / LINE D)	\$0.0000164	\$0.0001451	\$0.0042283	\$0.0000062
F. BRANCH CAR MILES L & E	9,191	9,191	9,191	9,191
G. BRANCH CAR MILE EXPENSES (LINE E x LINE F)	\$0	\$1	\$39	\$0
H. CARLOAD PORTION RATIO	73%	73%	73%	73%
I. SYSTEM CAR LOAD EXPENSES (LINE A x LINE H)	\$192	\$1,698	\$49,485	\$73
J. SYSTEM CARLOADS (QCS-COST DEPT)	11,703,400	11,703,400	11,703,400	11,703,400
K. SYSTEM EXPENSES PER CARLOAD (LINE I / LINE J)	\$0.00002	\$0.00015	\$0.00423	\$0.00001
L. BRANCH CARLOADS	113	113	113	113
M. BRANCH CARLOAD EXPENSES (LINE K x LINE L)	\$0	\$0	\$0	\$0
TOTAL EXPENSES (LINE G + LINE M)	\$0	\$1	\$39	\$0

Loco Service

SERVICING LOCOMOTIVES

Williamsburg - Plum Run, OH - Milepost CT 32.83 - 73.5

	<u>Base Year</u> <u>04/13 - 03/14</u>
A. BRANCH LOCO UNIT MILES	2,795
B. SYSTEM LOCO UNIT MILES	173,310,561
C. RATIO (LINE A/ LINE B)	0.000016
D. SYSTEM LABOR EXPENSE (ACC 11-31-69) (R-1, Sch. 410, Line 411)	\$31,578
E. BRANCH LABOR EXPENSE (LINE C x LINE D)	\$1
F. SYSTEM MATERIAL EXPENSE (ACC 21-31-69)	\$7,460
G. BRANCH MATERIAL EXPENSE (LINE C x LINE F)	\$0
H. SYSTEM PURCHASED EXPENSE (ACC 41-31-69)	\$9,268
I. BRANCH PURCHASED EXPENSE (LINE C x LINE H)	\$0
J. SYSTEM GENERAL EXPENSE (ACC 61-31-69)	\$7
K. BRANCH GENERAL EXPENSE (LINE C x LINE J)	\$0

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Loco Repairs

LOCOMOTIVE REPAIRS AND MAINTENANCE

Williamsburg - Plum Run, OH - Milepost CT 32.83 - 73.5

**Base Year
04/13 - 03/14**

A. BRANCH TONS PER UNIT	193
B. BRANCH LOCO UNIT MILES	2,795
C. BRANCH LOCO GTM (LINE A x LINE B)	539,132
D. SYSTEM LOCO GTM	32,831,044
E. RATIO (LINE C / LINE D)	0.016421
F. RATIO ROAD PORTION	0.930
G. SYSTEM LABOR EXPENSE (ACC 11-21-41)	\$103,836
H. BRANCH LABOR EXPENSE (LINE'S E x F x G)	\$1,585
I. SYSTEM MATERIAL EXPENSE (ACC 21-21-41)	\$205,878
J. BRANCH MATERIAL EXPENSE (LINE'S E x F x I)	\$3,143
K. SYSTEM PURCHASED EXPENSE (ACC 41-21-41)	\$21,326
L. BRANCH PURCHASED EXPENSE (LINE'S E x F x K)	\$326
M. SYSTEM GENERAL EXPENSE (ACC 61-21-41)	\$170
N. BRANCH GENERAL EXPENSE (LINE'S E x F x M)	\$3
O. FRINGE RATE	40.76%
P. TOTAL FRINGES (LINE H x LINE O)	\$646

Williamsburg - Plum Run, OH - Milepost CT 32.83 - 73.5
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Loco Fuel

LOCOMOTIVE FUEL

Williamsburg - Plum Run, OH - Milepost CT 32.8:

**Base Year
04/13 - 03/14**

	GMA'S LOCO CAT 8
A. GMA'S REPAIR & SUPPLIES COSTS PER LOCO UNIT HR. (AS OF 7/1/82)	\$88.90
B. GMA'S FUEL PORTION	0.64
C. FUEL EXPENSE PER LOCO UNIT HR. (LINE A x LINE B)	\$56.90
D. AAR'S CRC INDEX - FUEL (ANNUAL 1982 TO CURRENT YEAR)	3.209
E. FUEL EXPENSE PER LOCO UNIT HR. (LINE C x D)	\$182.60
F. LOCO UNITS BY CATEGORY (20% SAMPLE)	1
G. TOTAL LOCO UNITS IN SAMPLE	1
H. RATIO LOCO UNITS BY CATEGORY (LINE F / LINE G)	1.00
I. TOTAL LOCO UNIT HOURS ON BRANCH	292
J. LOCO UNIT HOURS ON BRANCH BY LOCO CATEGORY (LINE H x LINE I)	292
K. FUEL EXPENSES BY CATEGORY (LINE E x LINE J)	\$53,407
L. TOTAL FUEL EXPENSES (SUM OF LINE K AMOUNTS)	

Williamsburg - Plum Run, OH - Milepost CT 32.83 - 73.5
9/23/2014

Table A
ANNUAL INDEXES OF CHARGEOUT PRICES AND WAGE RATES (1977=100)
EAST

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Wage rates	305.2	312.0	317.3	331.1	338.1	340.8	353.0	362.8	393.3	384.9	395.4	426.2
Wage supplements	455.3	525.7	564.8	505.1	585.2	605.9	622.7	624.1	684.4	768.2	800.9	775.7
Fuel	234.9	202.5	247.4	323.7	475.5	527.5	557.0	845.2	458.9	605.6	829.5	852.6
Materials and supplies	182.9	182.9	182.0	196.1	211.5	236.0	262.9	291.1	309.9	310.8	321.3	340.9
Equipment rents	242.4	242.0	239.7	240.8	252.5	260.1	267.1	271.6	273.8	275.6	271.9	268.7
Purchased services	309.4	325.5	335.3	337.0	362.4	372.2	388.2	400.4	434.3	442.3	456.6	477.0
Depreciation	377.3	385.0	391.3	468.6	651.8	655.0	686.1	706.9	733.7	834.3	886.4	914.3
Interest	196.9	213.8	183.7	194.9	319.4	335.0	338.2	307.1	314.9	368.4	376.2	400.3
Taxes (other than income and payroll)	292.2	239.5	229.9	280.2	347.1	370.3	405.1	387.3	346.8	418.6	502.8	508.2
All other operating expenses	206.6	202.1	212.8	225.7	242.5	253.8	266.2	292.5	266.5	284.9	310.0	311.6
Wage rates and supplements	338.2	358.2	370.5	369.2	393.9	400.2	413.5	421.9	458.9	468.7	483.7	504.0
All materials (incl. fuel)	213.4	198.3	218.0	264.6	343.8	382.0	409.1	575.9	375.8	454.6	577.7	598.4
Matl. prices & wage rates combined (excl. fuel)	277.2	282.3	286.2	300.1	310.7	318.2	333.6	347.4	375.4	369.0	379.5	407.9
Matl. prices & wage rates combined (incl. fuel)	285.0	281.5	294.2	322.1	369.8	388.3	408.0	487.4	419.6	448.5	508.4	537.6
Materials prices, wage rates and supplements combined (excl. fuel)	309.4	325.5	335.3	337.0	362.4	372.2	388.2	400.4	434.3	442.3	456.6	477.0
Materials prices, wage rates and supplements combined (incl. fuel) - QMPW	313.9	321.1	337.8	353.3	415.2	434.7	454.8	526.0	474.1	511.8	570.3	592.9
Taxes, purchased serv. and other expenses	242.5	240.0	250.7	261.5	272.5	282.5	296.4	310.2	313.5	328.3	349.0	359.1
Equip. rents, deprec. and interest	267.6	273.9	269.3	299.1	374.3	381.5	394.9	397.7	408.6	455.0	473.1	486.5
Equip. rents, taxes, deprec., purch. serv., interest & other expenses	261.3	263.3	266.8	287.0	329.3	338.6	353.0	362.9	369.6	397.8	418.8	430.8
Total excl. fuel	291.3	300.8	306.5	318.7	355.7	365.5	381.2	392.4	411.1	431.0	449.4	465.7
Total excl. interest	298.2	303.2	314.9	333.5	382.5	396.8	415.0	457.1	435.2	467.6	509.5	526.9
Total excl. interest and depreciation	288.7	293.4	305.6	318.4	356.7	371.8	388.8	432.2	406.6	433.3	473.9	490.2
Railroad Cost												
Recovery Index	293.9	299.9	309.4	327.7	380.5	394.9	412.4	451.5	430.9	464.2	504.7	522.4

Note: The final annual wage rates and wage supplements are derived from the Annual Wage Statistics and the Annual Report Form R-1, consequently the final annual values may not equal the average of the four quarterly figures. The preliminary annual indexes, which appear in the December publication each year (indicated by a "p"), are averages of the four quarters.

Working Capital

Williamsburg - Plum Run, OH - Milepost CT 32.83 - 73.5

	<u>09/14 - 08/15</u>	
	<u>Forecast Year</u>	
On Branch Avoidable Cost	\$ 430,282	
Less Locomotive Depreciation	\$ 6,955	
Less Freight Car Depreciation	\$ 1,209	
Subtotal	<u>\$ 422,118</u>	
15 days on branch cash avoidable cost (provision 49 CFR 1152.34)		0.041
Working Capital	\$ 17,347	
Present (Begin Forecast Year) NLV	\$ 4,315,525	(\$106,111/mile)
End of Forecast Year NLV	\$ 4,436,873	
Income Tax Consequences (NLV*37% Tax Rate)	\$ 1,641,643	
Holding Gain Road Properties	\$ 121,348	
Nominal Opportunity Cost	\$ 758,669	
Opportunity Cost	\$ 637,321	

Williamsburg - Plum Run, OH - Milepost CT 32.83 - 73.5
9/23/2014

Loco Holding

**LOCOMOTIVE RETURN ON INVESTMENT
LESS HOLDING GAIN(LOSS)
Williamsburg - Plum Run, OH - Milepost CT 32.83 - 73.5**

	FORECAST YEAR GMA'S LOCO CAT 8
A. SYSTEM LOCO UNIT HOURS	10,062,857
B. SYSTEM LOCO UNITS	2,615
C. SYS LOCO UNIT HRS./LOCO UNIT (LINE A / LINE B)	3,848
D. REPLACEMENT COST (END OF FORECAST YEAR)	\$ 2,660,433
E. REPLACEMENT COST (BEGINNING OF FORECAST YEAR)	\$ 2,655,803
F. HOLDING GAIN(LOSS) AT REPLACEMENT (LINE D - LINE E)	\$ 4,630
G. TOTAL YEARS DEPRECIATION (100% / 3.86%)	29.1
H. LOCOMOTIVE AGE	14.5
I. NET BASE INVESTMENT YEARS (LINE G - LINE H)	14.6
J. REPL. LESS DEPR. ADJUSTMENT RATIO (LINE I / LINE G)	0.501
K. HOLDING GAIN(LOSS) AT REPL. LESS DEPR. (LINE F x LINE J)	\$ 2,321
L. LOCO UNITS BY CATEGORY	1
M. TOTAL LOCO UNITS IN SAMPLE	1
N. RATIO LOCO UNITS BY CATEGORY (LINE L / LINE M)	1.0
O. LOCO UNIT HOURS ON BRANCH	292
P. LOCO UNIT HOURS ON BRANCH BY LOCO CAT. (LINE N x LINE O)	292
Q. RATIO LUH ON BR. TO SYS LUH PER LOCO UNIT (LINE P / LINE C)	0.076
R. HOLDING GAIN(LOSS) BY LOCO CAT. (LINE K x LINE Q)	176
S. HOLDING GAIN(LOSS) (SUM OF LINE R AMOUNTS)	176
T. RETURN ON INVESTMENT (SEE BASE YEAR ROI SHEET)	\$ -
U. ROI MINUS HOLDING GAIN(LOSS) (LINE T - LINE S)	\$ (176)

Williamsburg - Plum Run, OH - Milepost CT 32.83 - 73.5
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Implicit Price Deflators for Gross Domestic Product
[Index Numbers, 2010=100] Seasonally Adjusted
Forecast - Cost Services Pricing and Purchasing 10 year
IHS Global Insight

Year	Quarter	Implicit Price Deflator	Rolling Four Quarter Average	Period Represented	Change vs. Prior Period	Notes
2008	1	98.497				
	2	98.930				
	3	99.605				
	4	99.799	99.208	2008		
2009	1	100.047	99.595	Q2 08 - Q1 09		
	2	99.891	99.836	Q3 08 - Q2 09		
	3	99.883	99.905	Q4 08 - Q3 09		
	4	100.179	100.000	2009	0.80%	
2010	1	100.509	100.116	Q2 09 - Q1 10	0.52%	
	2	100.972	100.386	Q3 09 - Q2 10	0.55%	
	3	101.432	100.773	Q4 09 - Q3 10	0.87%	
	4	101.948	101.215	2010	1.22%	
2011	1	102.354	101.677	Q2 10 - Q1 11	1.56%	
	2	103.024	102.190	Q3 10 - Q2 11	1.80%	
	3	103.651	102.744	Q4 10 - Q3 11	1.96%	
	4	103.782	103.203	2011	1.96%	
2012	1	104.296	103.688	Q2 11 - Q1 12	1.98%	
	2	104.751	104.120	Q3 11 - Q2 12	1.89%	
	3	105.345	104.544	Q4 11 - Q3 12	1.75%	
	4	105.640	105.008	2012	1.75%	
2013	1	105.994	105.433	Q2 12 - Q1 13	1.68%	
	2	106.165	105.786	Q3 12 - Q2 13	1.60%	
	3	106.685	106.121	Q4 12 - Q3 13	1.51%	
	4	107.099	106.486	2013	1.41%	Cost of Capital Reference
2014	1	107.450	106.850	Q2 13 - Q1 14	1.34%	Base Year
	2	108.012	107.311	Q3 13 - Q2 14	1.44%	
	3	108.605	107.791	Q4 13 - Q3 14	1.57%	
	4	109.142	108.302	2014	1.71%	
2015	1	109.668	108.857	Q2 14 - Q1 15	1.88%	
	2	110.085	109.375	Q3 14 - Q2 15	1.92%	
	3	110.522	109.854	Q4 14 - Q3 15	1.91%	Forecast Year (Exhibit 1)
	4	110.902	110.294	2015	1.84%	
2016	1	111.418	110.732	Q2 15 - Q1 16	1.72%	
	2	111.849	111.173	Q3 15 - Q2 16	1.64%	
					2.81%	Base - Forecast Year (Exhibit 1)

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Return on Value and Holding Gain/Loss

R-1 Sch. 415 (g) R-1 Sch. 415 (f) R-1 Sch. 710 (b)

CAR DESCRIPTION	AAR Car Type	STB Car Type	Investment Base (000)	Accumulated Depreciation (000)	Net Investment (000)	Units at End of Year	Net Investment per Unit	Return on Value per car-day	Holding Gain/Loss per car-day
Hopper - Covered	C	6	\$ 403,390	\$ 181,839	\$ 221,551	10,409	\$ 21,285	\$ 10.25	\$ 1.64

Cost of Capital	GDP Deflator
17.58%	2.81%

On-Branch Costs

CAR DESCRIPTION	AAR Car Type	STB Car Type	Car Owner	Elapsed Days	Carloads	Average Car Days/Carload	Sum of Car Miles	Sum of Car Hire Per Diem Pay	Sum of Car Hire Mileage Pay	Sum of Estimated Car Depreciation	Sum of Maintenance	Return on Value	Holding Gain/Loss
Hopper - Covered	C	6	PRIVATE	480	42	11.4	4,905	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Hopper - Covered	C	6	SYSTEM	449	71	6.3	7,371	\$ -	\$ -	\$ 1,190.00	\$ 3,087.00	\$ 4,602.96	\$ 736.24
				929	113	8.9	12,276	\$ -	\$ -	\$ 1,190.00	\$ 3,087.00	\$ 4,602.96	\$ 736.24

TOTALS			
	ROV	Depreciation (Only)	
Repair & Depreciation	\$ 4,277.00	\$ 4,602.96	\$ 1,190.00
Per Diem	\$ -		
Mileage	\$ -		
TOTAL	\$ 4,277.00	\$ 4,602.96	\$ 1,190.00
Holding Gain/Loss		\$ 736.24	
ROV less Holding Gain/Loss		\$ 3,866.72	

Off-Branch Costs

CAR DESCRIPTION	AAR Car Type	STB Car Type	Car Owner	Elapsed Days	Carloads	Average Car Days/Carload	Return on Value	Holding Gain/ (Loss)
Hopper - Covered	C	6	PRIVATE	1,074	42	25.6	\$ -	\$ -
Hopper - Covered	C	6	SYSTEM	2,045	71	28.8	\$ 20,964.48	\$ 3,353.23
				3,119	113	27.6	\$ 20,964.48	\$ 3,353.23

TOTAL	\$ 20,964.48
Holding Gain/Loss	\$ 3,353.23
ROV less Holding Gain/Loss	\$ 17,611.24

2013 Railroad Cost of Capital

	Debt	Preferred Equity	Common Equity	
1) Nominal Cost	3.68%	3.87%	12.96%	
2) Real Cost $((1+L1)/\text{deflator})-1$	2.24%	2.43%	11.39%	
3) Market Weight	17.69%	0.0004%	82.31%	
4) After Tax				
a. Nominal $L1*L3$	0.65%	0.0000%	10.67%	11.32%
b. Real $L2*L3$	0.40%	0.0000%	9.38%	9.77%
5) Pre-tax (change in equity only)				
a) Nominal $L4a/(1-\text{tax rate}^*)$	0.65%	0.0000%	16.93%	17.58%
b) Real $L4b/(1-\text{tax rate}^*)$	0.40%	0.0000%	14.88%	15.28%
6) Holding Gain				2.30%

*Assume 37% tax rate

Year to Year Deflator Delta: 1.41%

Williamsburg - Plum Run, OH - Milepost CT 32.83 - 73.5

Total revenue: \$ 389,500

Period: 4/2013 - 3/2014

STCC	STCC Description	Car Type	Sum of Carloads	Average of Tons/Car	Average of Avg Loaded Miles	URCS OFF BRANCH COST	Loaded Miles	On branch miles	off branch miles	Urcs Car Type	Description
0113215	CORN NPOP	CC	4	99.84	617.53	\$ 1,992	617.5	23.7	593.8	6 Hopper - Covered	
0113215	CORN NPOP	CC	11	99.86	614.96	\$ 1,985	615.0	23.7	591.3	6 Hopper - Covered	
0113215	CORN NPOP	CC	11	105.10	770.46	\$ 2,448	770.5	23.7	746.8	6 Hopper - Covered	
0113215	CORN NPOP	CC	5	99.61	621.42	\$ 2,003	621.4	23.7	597.7	6 Hopper - Covered	
0113215	CORN NPOP	CC	30	100.42	978.99	\$ 2,955	971.2	23.7	947.5	6 Hopper - Covered	
0113215	CORN NPOP	CC	23	103.02	854.16	\$ 2,645	854.2	23.7	830.5	6 Hopper - Covered	
0113215	CORN NPOP	CC	3	103.11	552.32	\$ 1,848	552.3	23.7	528.6	6 Hopper - Covered	
0113215	CORN NPOP	CK	25	110.56	647.69	\$ 2,176	647.7	23.7	624.0	6 Hopper - Covered	
3742217	CRS,RWY FRT,NM	CC	1	1.00	166.87	\$ 608	166.87	23.7	143.17		
			113	98.26	743.89	\$ 276,772					

T51 Crew Data

201304 - 201403

Payroll Data

Total Wages \$ 147,814

Count of days 262

		CO	EN	Total
		Gross Amt	Gross Amt	Gross Amt
T51T8	C5 CONDUCTOR CERTIFICATIO	\$ 1,220		\$ 1,220
T51T8	D7 WEEKEND/HOL DIF		\$ 1,071	\$ 1,071
T51T8	HW WORKING HOLIDAY	\$ 339	\$ 346	\$ 685
T51T8	OT OVERTIME BEFORE 12 HOU	\$ 16,426	\$ 16,810	\$ 33,236
T51T8	OV OVERTIME AFTER 12 HOUR	\$ 572	\$ 554	\$ 1,126
T51T8	SM STRAIGHT TIME (MILES)	\$ 54,456	\$ 55,644	\$ 110,100
T51T8	ST STRAIGHT TIME (YARD ASSI	\$ 205	\$ 172	\$ 377
		\$ 73,217	\$ 74,597	\$ 147,814
		\$ 37,341	\$ 38,045	\$ 75,385
		\$ 110,558	\$ 112,642	\$ 223,200

2013 NSR R-1 Data

R-1 INFORMATION 2013

Sch 755:

	<u>Freight</u>	<u>Passenger</u>
A) Ln 7 Train Miles	74,795,669	
B) Ln 11 Locomotive Unit Miles	173,310,561	
C) Ln 12 Locomotive Unit Miles Trn Swtg	6,756,113	
D) Ln 98 GTM Road Locomotives (000s)	32,831,044	
E) Ln 115 Trn Hrs Rd Svc	3,750,324	
F) Ln 116 Trn Swtg Hrs	646,253	
G) (Ln 116 * 6 mph) Trn Mi Rd Trn Swtg	3,877,518	
H) (A+G) Total Freight Train Miles	78,673,187	
I) [(Ln 11+Ln12)/Item H] Loco Units per Train	2.29	
J) [(Ln 115+Ln 116)*Item I] Loco Units Hours	10,062,857	
K) Ln 117 Yard Switching Hours	2,187,017	
L) Ln 13 Loco Unit Miles Yard Switching	13,122,102	
M) (Ln 117*6mph) Yard Switching Miles	13,122,102	
N) (Ln 13/Item M) Loco Units per Yard Switch	1.00	
O) (Ln 117*Item N) Loco Unit Hours Yard Switch	2,187,017	

2013 NSR R-1 Data

NS 2013 System Car Miles L&E

R-1, Sch 755:

Line 30	1,054,738 RR L
Line 46	728,142 RR E
Line 64	1,526,445 PVT L
Line 82	1,090,065 PVT E
Line 84	0 No Payment
	<hr/> 4,399,390

NS 2012 O&T's (excl DUP & incl TRL/CONT)

FCS 2013

	Carloads		
Ln 98 Col (i)	Local	4,405,639 * 2 =	8,811,278
Ln 98 Col (k)	Forward	525,099 * 1 =	525,099
Ln 98 Col (m)	Received	2,367,023 * 1 =	2,367,023
Ln 98 Col (0)	Bridge	58,167 * 0 =	0
		<hr/> 7,355,928	<hr/> 11,703,400

2013 NSR R-1 Data

FRINGE BENEFITS (Sch 410)

Accounting Group		2013 Labor (000)	2013 Fringes (000)	2013 Fringe %	2012 Labor (000)	2012 Fringe (000)	2012 Fringe %
WS	Running	158,300	125,995	79.59%	117,464	152,632	129.94%
	Switching	11,211	4,384	39.10%	9,102	3,998	43.92%
	Other	32,703	12,434	38.02%	32,626	22,379	68.59%
ME	Locomotive	123,746	50,440	40.76%	120,940	51,331	42.44%
	Freight Cars	58,866	26,068	44.28%	69,554	25,499	36.66%
	Other	1,379	3,382	245.25%	523	3,409	651.82%
TRANS	Train Op	827,322	354,537	42.85%	833,802	336,471	40.35%
	Yard Op	222,703	107,600	48.32%	226,132	100,662	44.51%
	Train & Yard Op	629	238	37.84%	655	945	144.27%
GA	SPSVCOP	43,493	6,334	14.56%	36,254	7,225	19.93%
	Admin Supp	21,946	13,489	61.46%	28,684	12,961	45.19%
	Gen & Admin	8,475	3,771	44.50%	8,301	3,058	36.84%
	MWS Composite	202,214	142,813	70.62%	159,192	179,009	112.45%
	Trans Composite	1,050,654	462,375	<u>44.01%</u>			

2013 NSR R-1 Data

R-1 2013 Information

Investment in Equipment: Diesel Locomotives

			Beg Yr		End Yr		Avg Yr
Sch 710	Ln 1 Col (b)	Fght	2,595	Col (J)	2,635		2,615
	Ln 2 Col (b)	Psgr	0	Col (J)	0		0
	Ln 4 Col (b)	Swtg	106	Col (J)	101		104
	Ln 9 Col (b)	Aux	122	Col (J)	131		127
			<u>2,823</u>		<u>2,867</u>		<u>2,845</u>
Sch 332	Ln 31 col(d)	Depr	3.44%				
(Repairs)					Labor		
Sch 415	Ln 1 Col (b)	Yd	22,979	7.0%			
	Ln 2 Col (b)	Rd	304,222	93.0%			
	Ln 5 Col (b)	Total	<u>\$327,201</u>				
(Loco Fuel)							
Sch 410	Ln 409 Col (h)	Rd	1,382,142	93.8%	68,087	Ln 408 Col (b)	
	Ln 425 Col (h)	Yd	91,041	6.2%	0	Ln 425 Col (b)	
		Total	<u>\$1,473,183</u>		<u>\$68,087</u>		<u>\$1,405,096</u>
(Svc Loco)							
Sch 410	Ln 411 Col (h)		48,313	99.2%	31,578	Ln 411 Col (b)	
	Ln 427 Col (h)		382	0.8%	381	Ln 427 Col (b)	
			<u>\$48,695</u>		<u>\$31,959</u>		<u>\$16,736</u>

CREW MATERIALS (Sch 410)

Engine Crew Material	Ln 402 Col (c)	264
Train Crew Material	Ln 403 Col (c)	2,336
Train Inspection & Lubrication	Ln 408 Col (b)	68,087
Wages	Ln 408 Col (b)	68,087
Materials	Ln 408 Col (c)	100

SERVICING LOCOMOTIVES (Sch 410)

System Labor Expense	Ln 411 Col (b)	31,578
System Material Expense	Ln 411 Col (c)	7,460
System Purchased Expense	Ln 411 Col (d)	9,268
System General Expense	Ln 411 Col (e)	7

LOCOMOTIVE REPAIR (Sch 410)

System Labor Expense	Ln 202 Col (b)	103,836
System Material Expense	Ln 202 Col (c)	205,878
System Purchased Expense	Ln 202 Col (d)	21,326
System General Expense	Ln 202 Col (e)	170