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March 20, 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 Isle of Wight County and the City of Suffolk, Virginia, STB  
Docket No. AB-290 (Sub-No. 362X)*

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 Isle of Wight County, Virginia, and the independent City of Suffolk, Virginia. Please date stamp the extra copy and return to my courier. This submission also includes an electronic copy of the entire petition and an 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 \$6,700.00. If there are any questions about this matter, please contact me or my colleague, William A. Mullins either by telephone: 202-663-7824 (Rob Wimbish) / 202-663-7823 (Bill Mullins) or by e-mail: [rwimbish@bakerandmiller.com](mailto:rwimbish@bakerandmiller.com) (Rob Wimbish) / [wmullins@bakerandmiller.com](mailto:wmullins@bakerandmiller.com) (Bill Mullins).

Respectfully submitted,

FILED  
March 20, 2014  
Surface Transportation Board

  
Robert A. Wimbish

Enclosures

FEE RECEIVED  
March 20, 2014  
Surface Transportation Board

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

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**STB Docket No. AB-290 (Sub-No. 362X)**

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**NORFOLK SOUTHERN RAILWAY COMPANY  
– DISCONTINUANCE OF SERVICE EXEMPTION –  
IN ISLE OF WIGHT COUNTY AND THE CITY OF SUFFOLK, VIRGINIA**

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**PETITION FOR EXEMPTION**

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Railway Company**

**March 20, 2014**

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

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**PETITION FOR EXEMPTION**

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**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 17.8 miles of railroad line (the “Line”) located in Isle of Wight County and the independent City of Suffolk, Virginia,<sup>1</sup> extending from milepost FD 19.2 in Suffolk, Virginia, to milepost FD 37.0 near Franklin, Virginia. The Line is part of a stub-ended branch line that NSR refers to as the “Franklin District.” NSR recently obtained an exemption permitting it to discontinue service over a 53.2-mile portion of the Franklin District, from milepost FD 37.0 near Franklin to the end of the line at milepost FD 90.2 at Edgerton (the “Western Segment”),<sup>2</sup> all of which is located immediately to the west of the Line that is the subject of the present discontinuance petition for exemption.

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<sup>1</sup> Suffolk is considered an independent subdivision of the Commonwealth of Virginia, and is not technically located within any county.

<sup>2</sup> Norfolk Southern Railway Company – Discontinuance of Service Exemption – In Isle of Wight, Southampton, Greensville, and Brunswick Counties, Va., STB Docket No. AB 290 (Sub-No. 359X) (STB served March 13, 2014).

The Line traverses ZIP Codes 23434, 23437 and 23851. Based on information in NSR's possession, the Line does not contain federally granted rights-of-way. If relevant to this proceeding, any documentation in NSR's possession concerning title will be made available to those requesting it. The following stations are located along the Line: Franklin, Holland, and Suffolk (although Suffolk will remain an active station, because a portion of that station is located to the east of the subject discontinuance limits).

The Line is a burden on NSR and interstate commerce because, as will be shown, the potential annual revenue that could be generated by shippers remaining on the Line would be heavily outweighed by the costs of maintaining and operating it. Moreover, the hardship that NSR would face from operation of the Line (at a substantial avoidable cost loss) would be exacerbated by the fact that the Line is no longer in operable condition and needs substantial up-front 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
- 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

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, the rehabilitation costs and avoidable cost losses that NSR would incur were the Board to deny the subject Petition.

### **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 Verified Statement of Marcellus C. Kirchner (Exhibit D), and much of the discussion following borrows from Mr. Kirchner’s testimony and the appendices attached thereto.

The Line, which, as mentioned above, exists as part of NSR’s Franklin District, originally was built as a through route from the Virginia Tidewater area to Danville, Virginia. The Tidewater-Danville line, completed by the Atlantic & Danville Railway (“A&D”), soon came under the control of the Southern Railway Company (“SOU”) – A&D’s principal interline connection at Danville – by virtue of SOU’s 50-year lease of the railroad. The A&D was returned to independent operation in 1949, and it remained an independent railroad until after it filed for bankruptcy in the early 1960s. The Norfolk and Western Railway Company (“N&W”) – like SOU, an NSR predecessor railroad – acquired the A&D railroad assets, and placed them under the control of a newly-established N&W subsidiary, the Norfolk, Franklin and Danville Railway Company (“NF&D”). In time, the NF&D’s line west of Edgerton was abandoned – the route having “devolved” from a secondary trunk line to a branch line relying upon local traffic –

and the NF&D was absorbed into NSR as the aforementioned Franklin District. See, generally, V.S. Kirchner at 2.

In recent years, the Franklin District depended upon a mix of high-tonnage (but low-rated) stone traffic from a quarry near Edgerton, truck-competitive lumber products (primarily plywood) from shippers based at Emporia, and feedstock for a paper mill located at Franklin. The stone traffic, which originated on the western segment, ended in 2012, as the quarry operator shifted much of its production to off-line facilities and curtailed rail shipments from the Edgerton facility. Service for all traffic located to the west of Franklin, including the aforementioned Emporia forest products traffic, was embargoed due to track conditions as of October 1, 2013, and common carrier service over the Western Segment will formally be terminated pursuant to NSR's discontinuance authority obtained by way of the Board's March 13, 2014 decision in the Docket No. AB 290 (Sub-No. 359X) proceeding.

Service over the Line has more recently also been suspended as of January 31, 2014, due to similar track condition concerns and declining traffic levels. For example, in the twelve months ending September of 2013 (the Base Year for purposes of this proceeding), NSR handled 203 carloads originating or terminating on the Line, of which the majority consisted of caustic sodium used in the manufacture of paper products. The paper mill located at Franklin is operated by International Paper, and it is served by NSR and also by CSX Transportation, Inc. ("CSXT") via CSXT's Portsmouth-Weldon (Virginia) main line.

In view of the Line's modest traffic density, NSR sought to preserve service to the remaining customers under a short line arrangement, just as it had done for the Western Segment. NSR's short line efforts, however, proved fruitless, and so NSR faced the reality that it would have to seek Board relief from continued operation of the Line, particularly in the face of

declining traffic levels and deteriorated track and conditions that recently have required that the Line be removed from service. See *id.* at 3.

The Line needs \$1,027,500 in up-front track rehabilitation to restore it to service under FRA Class I safety standards. See *id.* at 4-5, and Appendix 2. As is shown in the cost data supplied herein (and in the V.S. Kirchner), 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 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 September 2013 (the Base Year), NSR handled 203 carloads over the Line, most of which was destined to International Paper's mill at Franklin. The Base Year traffic density on the Line is roughly 11.4 carloads per mile. See *id.*, Appendix 2. As a portion of a stub-ended branch with no traffic originating or terminating on the Western Segment as of October of last year, the Line has no overhead traffic. The Line has three customers, all of which are identified in Appendix 2 to the Kirchner V.S., and each will be served with a copy of the Petition.

#### **PETITIONER'S REPRESENTATIVE**

NSR is represented by Robert A. Wimbish and William A. Mullins, Baker & Miller PLLC, 2401 Pennsylvania Avenue, NW, Suite 300, Washington, DC 20037; telephone: (202) 663-7820; facsimile: (202) 663-7849; email: [rwimbish@bakerandmiller.com](mailto:rwimbish@bakerandmiller.com) and [wmullins@bakerandmiller.com](mailto: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). And finally, granting NSR's Petition for 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 \$544,239, and Forecast Year operating losses of \$552,724. 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 \$1,027,500 in order to return the line to a safe operating condition. 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 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 17.8 miles of low-density branch line<sup>3</sup> that NSR's Engineering Department recently took out of service, and that, if reopened, would be expected to handle less than 12 carloads per mile per year. There were only three active customers on the line prior to the cessation of service, and one of these, International Paper, has direct access to competitive line-haul service from CSXT. As indicated, there has

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<sup>3</sup> The Board has granted individual exemptions in similar circumstances for longer line segments and lines with higher average traffic density per mile. See, e.g., Escanaba & Lake Superior Railroad Company – Abandonment Exemption – In Ontonagon and Houghton Counties, Mich., STB Docket No. AB-4154 (Sub-No. 2X) (STB served Sept. 27, 2010) (abandonment of 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”) (abandonment of a 49.4-mile rail line); 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”) (abandonment of 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) (abandonment of a 41.5-mile line).

been no overhead traffic since service to Western Segment customers ceased in late 2013.

**C. Regulation of the Discontinuance Is Not Necessary to Protect Shippers from Market Power Abuse**<sup>4</sup>

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." That table lists by commodity type the number of carloads that NSR handled on the Line during the base year ended September 30, 2013. The vast majority of this traffic – 197 of the 203 Base Year carloads – was destined to International Paper at Franklin, which, as previously noted, also is served directly by CSXT, and thus will not lose access to rail service as a result of NSR's proposed discontinuance. In addition, NSR has reason to believe that the remaining on-Line customers regularly make use of highway transportation.<sup>5</sup> Such competitive constraints preclude NSR from exploring the sort of sizeable rate increases that would make restoring service on the Line economically practicable.

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 will result in substantial operating losses. NSR has neither the leverage nor the propensity to subject the Line's customers to market power abuse.

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<sup>4</sup> The discussion set forth here will be revisited in the section entitled "Public Interest Factors."

<sup>5</sup> Of the three most recent shippers, one of them – Specialty Minerals, Inc. at Franklin – has not moved traffic via the Line since 2010. Another shipper, Meherrin Agriculture & Chemical at Holland, Virginia, is expected to ship 6 carloads in the Forecast Year, consistent with Base Year (actual) traffic levels.

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 efforts to shield the railroad from avoidable losses.

### **PUBLIC INTEREST FACTORS**

Future operation of the Line would be wholly uneconomical due to the substantial (and unrecoverable) track rehabilitation costs and operating cost losses that would flow from reactivation of the Line. 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 September 30, 2013, during which time NSR handled 203 carloads originating or terminating on the Line. 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 203 carloads assumption, broken down according to the same commodity mix in the Base Year, for its Forecast Year and Projected Subsidy Year analyses.

NSR has determined that such low on-Line traffic levels make the Line unattractive to a potential short line operator, having explored a short line arrangement for the Line before reaching the conclusion that discontinuance authority was the only plausible remedy. See V.S. Kirchner at 3.

**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 \$563,293 in Base Year revenues, which, far from offsetting NSR's avoidable costs of \$1,107,532, resulted in an avoidable loss from rail operations of \$544,239. 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 \$552,724 (total revenues of \$572,074 less total avoidable costs of \$1,124,798). *Id.*, Appendix 2. Such losses, of course, presuppose the up-front rehabilitation of the Line to meet Class I track safety conditions at a cost of \$1,027,500.

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 cost 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 \$262,455 and \$266,546, respectively, with both figures tied to maintaining the Line to FRA Class I condition. These cost calculations translate into maintenance costs of roughly \$14,745/mile for the Base Year and \$14,974/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 attached as the second page of Appendix 2 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 did not accept NSR's normalized maintenance estimate and instead employed a per-mile normalized maintenance cost figure that reduced the normalized maintenance input by half or more, the result would nevertheless be a six-figure avoidable loss from operations for the Base and Forecast/Subsidy Years.

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

In his verified statement, Mr. Kirchner explains that NSR's Engineering Department ordered that the Line be removed from service as of January 31, 2014, due to deteriorated track conditions that made continued rail operations unsafe. *Id.* at 3-4. He adds that, for the Line to be returned to safe operating condition in compliance with FRA Class I track safety conditions, NSR would have to expend an estimated total of \$1,027,500 for the timbering and surfacing (installation of new crossties and ballast) of a segment of the track totaling 7.5 miles. *Id.* at 5. Such rehabilitation would permit the reactivation of the Line, for the time being, at FRA Class I (ten miles-per-hour) maximum track speeds. *Id.* at 4-5.

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 states that the 10.3 miles of the Line not requiring immediate timbering and surfacing, will require such attention in 2016, at an estimated total cost of \$1,411,100, and

he adds that one of the bridges along the Line (at milepost FD 22.5) will have by 2021 outlived its useful life, and will need to be replaced at a cost of \$854,500. *Id.* at 6 and Appendix 3.

**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 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 of which are parts of Exhibit D to this Petition).

**E. Alternative Transportation**

NSR believes that the three on-Line rail customers that received rail service over the Line prior to service suspension, have access to viable alternative sources of transportation. For

example, NSR explained above that International Paper, the Line's largest shipper by volume, can and does receive direct rail service from CSXT, which access would be unaffected by the proposed discontinuance. Moreover, each of the three on-Line shippers is located adjacent to or within a very short distance of U.S. Route 58, which is the principal east-west highway through southern Virginia, connecting communities located along the Line with the Virginia Tidewater area; Interstates 95 and 85; and U.S. Routes 29 and 220. U.S. Route 58 also runs roughly parallel to the Franklin District. In addition to readily available highway transportation options, CSXT, as indicated, operates its own line between Suffolk and Franklin, Virginia, and thus, in addition to NSR transload options in nearby Tidewater and Petersburg, affected shippers would have competitive transload options for service via CSXT. Specialty Minerals, which last used NSR service on the Line in 2010, is believed to be making exclusive use of motor carrier (truck) transportation, and Meherrin (an agricultural commodities shipper) is expected to generate roughly 6 carloads per year, at which modest annual traffic levels, NSR is confident that truck transportation would be a viable option.

For all of these reasons, NSR submits that alternative (and competitive) transportation service is readily available to past users of the Line.

#### **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 and cost-effective, but non-essential, competitive alternative to rail and 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 possible that the subject discontinuance may result in on-

Line NSR customers making more use of trucks than before – (1) such a diversion to alternative transportation probably has already begun as a result of NSR’s recent suspension of service; and (2) NSR has determined that the truck diversions would be 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 potentially would be subjected to millions of dollars of unrecoverable costs going forward if its Petition were to be denied and NSR were required to resume service on the Line.

NSR has explained above that holding it to an exacting, expensive, and 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. The process that NSR has invoked and the evidence it has supplied in its case-in-chief 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. However, to the extent that any objector may raise convenient but ultimately hollow procedural arguments (as some have attempted to do in other abandonment/discontinuance cases), asserting, essentially, that the Petition should be denied because the existence of such opposition gives rise to “controversy,” and arguing that NSR should be made to prepare and file a formal application, NSR urges the Board to consider the substance of the evidence offered herein, which clearly militates in favor of acting upon and granting the Petition.<sup>6</sup>

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<sup>6</sup> Such an approach would be consistent with the Board’s case-by-case evaluation of evidence and arguments for and against the use of the individual exemption process for rail line abandonments and discontinuances. See, e.g., Arizona & California slip op. at 2 (noting that

## 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

As a general rule, the Board does not require a carrier seeking to discontinue service over a particular rail line to prepare and submit for review a combined environmental and historic report.<sup>7</sup> That rule generally applies, however, where the line in question has been out of service for some time, and the only practical outcome of the discontinuance is the legal cessation of service over the discontinuing carrier's already unused rail line. As indicated above, 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, and, because no

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“opposition to an abandonment proposal will not alone defeat a petition for exemption,” the Board granted the railroad's petition for exemption despite vocal opposition where the record was sufficient for the Board to act); Dakota Rail, Inc. – Abandonment Exemption – In McLeod, Carver, and Hennepin Counties, MN, STB Docket No. AB-472 (Sub-No. 1X) (STB served Nov. 30, 2001) slip op. at 4 (railroad's petition for exemption found to “fully comport[] with our regulations and, when viewed in the light of the comments that have been filed, provide[] a sufficient basis for us to determine whether a need for service over the line exists. Thus, the petition will not be denied on the basis that [the petitioner] should be required to file an application for abandonment authority” in light of the numerous comments and statements of opposition); cf. Georgia Southwestern (Board granted abandonment petition for exemption over the opposition of the Georgia Department of Transportation).

<sup>7</sup> 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).

historic resources will be affected, NSR understands that a historic report is unnecessary.

NSR understands that, under the circumstances, a full or partial environmental report would be required only if it appeared that the proposed discontinuance would 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)(C) or § 1105.7(e)(5)(ii)(C). NSR has calculated total daily rail-to-truck diversions using Forecast Year traffic figures and applying the following total truck traffic multiplier: 3.5 truckloads per rail carload and 3.5 corresponding empty truck movements.<sup>8</sup>

On the basis of such calculations (apportioning as appropriate Base Year traffic to each affected customer's location along the Line), NSR has consulted the most recent available data from the Virginia Department of Transportation and, to the extent necessary and where available, local road authorities to determine if the daily new truck traffic anticipated to result from the proposed discontinuance would exceed the applicable air quality thresholds. NSR has determined that the subject air quality impact thresholds will not be exceeded on any road that would likely support new or additional truck traffic, and that neither a full nor partial environmental report, will be required.<sup>9</sup> NSR is prepared to consult with the Board's Office of Environmental Analysis on this issue as necessary.

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<sup>8</sup> NSR's assumed ratio assumes that roughly half of the affected traffic would require 4 inbound/outbound truck movements per carload, and that the other half would involve the transportation of light-density paper manufacturing inputs that would require only 3 inbound/outbound truck movements per carload.

<sup>9</sup> NSR's rail-to-truck diversion analysis (undertaken for the limited purposes of determining if a full or partial environmental report would be necessary) presumed that each of the 203 Forecast Year carloads would be diverted to truck transportation as a result of NSR's formal termination of service. NSR's analysis, however, probably overstates how much traffic actually will be diverted from rail to truck, because NSR expects that International Paper – again, the largest shipper on the Line by volume – will opt to increase its reliance on CSXT-provided rail service for at least a portion of the traffic currently handled by NSR.

## CONCLUSION

NSR seeks an exemption from the provisions of 49 U.S.C. § 10903 to discontinue service over 17.8 miles of rail line located in southern Virginia. 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 Marcellus C. 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. § 10101, 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 prompt Board action to grant an exemption for the proposed discontinuance of service over the Line.

Respectfully submitted,



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rwimbish@bakerandmiller.com

Dated: March 20, 2014

Attorneys for Norfolk Southern Railway Company

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

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**STB Docket No. AB-290 (Sub-No. 362X)**

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**NORFOLK SOUTHERN RAILWAY COMPANY  
– DISCONTINUANCE OF SERVICE EXEMPTION –  
IN ISLE OF WIGHT COUNTY AND THE CITY OF SUFFOLK, VIRGINIA**

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**EXHIBIT A**

**MAP**



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

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**STB Docket No. AB-290 (Sub-No. 362X)**

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**NORFOLK SOUTHERN RAILWAY COMPANY  
– DISCONTINUANCE OF SERVICE EXEMPTION –  
IN ISLE OF WIGHT COUNTY AND THE CITY OF SUFFOLK, VIRGINIA**

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**EXHIBIT B**

**DRAFT FEDERAL REGISTER NOTICE**

DEPARTMENT OF TRANSPORTATION

Surface Transportation Board

[Docket No. AB 290 (Sub-No. 362X)]

Norfolk Southern Railway Company – Discontinuance of Service Exemption – In Isle of Wight County and the City of Suffolk, Virginia

Norfolk Southern Railway Company (NSR) has filed on March 20, 2014, an individual exemption for the discontinuance of service over a line of railroad comprising a portion of NSR's Franklin District extending from milepost FD 19.2 near Suffolk, Virginia, to milepost FD 37.0 near Franklin, Virginia. The subject rail line traverses through United States Postal Service ZIP Codes 23434, 23437, and 23851, a total distance of 17.8 miles in Isle of Wight County and the independent City of Suffolk, Virginia. The line for which the discontinuance exemption request was filed includes the stations of Franklin, Holland, and Suffolk (although Suffolk will remain an active station to the east of the Line).

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).<sup>10</sup>

All filings in response to this notice must refer to Docket No. AB 290 (Sub-No. 362X) and must be sent to: (1) Surface Transportation Board, 395 E Street, S.W., Washington, DC 20423-0001, and (2) Robert A. Wimbish and 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.

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<sup>10</sup> 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**

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**STB Docket No. AB-290 (Sub-No. 362X)**

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**NORFOLK SOUTHERN RAILWAY COMPANY  
– DISCONTINUANCE OF SERVICE EXEMPTION –  
IN ISLE OF WIGHT COUNTY AND THE CITY OF SUFFOLK, VIRGINIA**

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## **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:

Virginia Department of Transportation  
1401 E. Broad St.  
Richmond, VA 23219

Division of Utility and Railroad Safety  
P.O. Box 1197  
Richmond, Virginia 23218

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:

International Paper  
34040 Union Camp Drive  
Franklin, VA 23851  
(757) 569-4321

Meherrin Agricultural & Chemical  
6710 South Quay Road  
Holland, VA 23437  
(757) 657-2022

Specialty Minerals, Inc.  
485 Carrsville Hwy.  
Franklin, VA 23851  
(757) 562-7511

March 20, 2014



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Robert A. Wimbish  
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 on March 19, 2014, in the *Tidewater News*, and the *Suffolk News-Herald*, newspapers of general circulation in Isle of Wight County and the independent City of Suffolk, Virginia, respectively.

March 20, 2014



\_\_\_\_\_  
Robert A. Wimbish  
Attorney for Norfolk Southern  
Railway Company

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

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**STB Docket No. AB-290 (Sub-No. 362X)**

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**NORFOLK SOUTHERN RAILWAY COMPANY  
– DISCONTINUANCE OF SERVICE EXEMPTION –  
IN ISLE OF WIGHT COUNTY AND THE CITY OF SUFFOLK, VIRGINIA**

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**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 FD 19.2 at Suffolk, Virginia, and milepost FD 37.0 at Franklin, Virginia, 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 extended between Tidewater Virginia and the City of Danville, Virginia, originally constructed and operated by the Atlantic & Danville Railway (A&D). From 1899 to 1949, A&D was leased and controlled by NSR predecessor Southern Railway Company (SOU). In 1949, SOU elected not to renew its lease, and A&D became an independent carrier until the railroad filed for bankruptcy in early 1962. The A&D properties were acquired by the Norfolk and Western Railway Company (NW), another NSR predecessor, in 1962. NW established a subsidiary carrier, the Norfolk, Franklin and Danville Railway Company (NF&D), to own and operate the former A&D lines. In 1983, the NF&D was absorbed into NSR. Over time, portions of the former A&D line between Edgerton and Danville were abandoned.

Immediately to the west of, and contiguous to, the subject Suffolk – Franklin line segment is another line segment of the former A&D extending westward from Franklin to Edgerton, VA. Rail traffic on the Franklin – Edgerton, VA segment of the A&D line declined 89% between 2010 and 2013. NSR's Engineering Department determined that that segment of the line could no longer be safely operated after October 1, 2013, and that segment was taken out of service as of that date. The Franklin – Edgerton segment was the subject of a Discontinuance of Service Petition for Exemption filed in November, 2013. By decision served March 13, 2014, the Board granted the exemption sought in that proceeding,<sup>1</sup> and NSR will be relieved of its common carrier obligation for that line effective April 12, 2014.

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<sup>1</sup> See *Norfolk Southern Railway Company – Discontinuance of Service Exemption – in Isle of Wight, Southampton, Greensville and Brunswick Counties, Va.*, STB Docket No. AB-290 (Sub-No. 359X) (STB served March 13, 2014).

Rail traffic on the Suffolk - Franklin line which is the subject of this petition declined 87% since 2010, as shown in Appendix 2. This is largely attributable to the significant reduction in traffic at the paper mill at Franklin, VA, which had been the predominant shipper on the line segment. The paper mill at Franklin closed in 2009, reopened to limited production in 2011, but never regained its former volume levels. (This paper mill, incidentally, is also served directly by CSX Transportation Inc. (CSXT) along CSXT's Portsmouth-Weldon main line.) Remaining traffic on the line is disadvantaged by the circuitry arising from the fact that it must move eastward to the Tidewater area and then move westward via a roughly parallel east-west route situated to the north of the former A&D route to connect with the remainder of the NSR rail system. Such circuitry subjects NSR and its customers to additional transportation and equipment cost. Moreover, the former A&D line is limited structurally to freight cars with a maximum gross weight of 263,000 pounds.

As discussed in the discontinuance petition for the Franklin – Edgerton segment of the former A&D, NSR unsuccessfully pursued several options in 2012 and 2013 to keep the Franklin – Edgerton segment, or at least critical parts of it, open. Such options included transferring operation of the line to a prospective short line operator and investigation, and establishing an island operation at Emporia, VA.

Similarly here, NSR pursued the prospective transfer of the operation of the Suffolk – Franklin line to several short line operators, but none was interested due to the line segment's low traffic density and the level of rehabilitation required to retain the line in service. NSR suspended service on the Suffolk – Franklin line segment that is the

subject of this proceeding on January 31, 2014, at the insistence of NSR's Engineering Department in light of deteriorated track conditions.

### **Maintenance and Rehabilitation Required on the Line**

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 January 31, 2014, due to track conditions. In order to resume service on the line, the eastern portion of the line segment between mileposts FD 19.2 and 26.7, totaling 7.5 miles, would require immediate timbering and surfacing<sup>2</sup>. That segment was last timbered and surfaced in 2002.

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

In the opinion of NSR's Engineering Department, timbering and surfacing over these 7.5 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 tie condition on the 7.5 miles of the line in need of rehabilitation is a result of tie age (the newest of the ties are 12 years old) combined with the wear associated with the significant stone tonnage from a quarry formerly served at the end of the A&D line at Edgerton, VA, that until recently traversed the line. 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 \$1,027,500. 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 fifteen signaled public crossings on the line, as required by FRA regulations. Brush cutting will be scheduled on a three-year cycle, and the ballast will be sprayed with herbicide twice annually, while ditching will be required annually.

### **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, timbering and surfacing of the western portion of the line between mileposts FD 26.7 and FD 37.0 would be required in 2016. This segment was last timbered and surfaced in 2007. The estimated cost for these 10.3 miles of timbering and surfacing work is \$1,411,100. The 108 foot long timber trestle at milepost FD 22.5 over Speight's Run is badly deteriorated due to age, and would require replacement in 2021 at an estimated cost of \$822,000<sup>3</sup>:

### **Financial Analysis**

The designated Base Year for this abandonment proceeding is October 2012 through September 2013. In accordance with the Board's regulations found at 49 CFR §1152.2(h), the Forecast Year is March 2014 through February 2014. 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.

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<sup>3</sup> This bridge replacement cost is 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 to my statement shows that the carloads NSR originated or terminated on the line declined from 1,525 in 2010 to 155 in 2012, then increasing modestly to 203 in the Base Year. Line 17 on Appendix 1 shows that the branch's avoidable loss was \$544,239 for the Base Year, and we project an avoidable loss of \$552,724 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. In fact, as shown by comparisons of lines 4 and 6 of Appendix 1, the off-branch costs of the movements during the Base Year alone exceed the Base Year revenues. Moreover, these operating losses do not include any part of the rehabilitation costs of \$1,027,500, which NSR would have to incur to return the line to service.

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 \$563,293 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 203 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, 2005=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 Global Insight (formerly DRI). The adjustment factor produced by comparing the Base and Forecast/Subsidy Year GDP deflators is 1.56%. The indexed forecast year total revenue is therefore \$572,074.

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 \$266,546, 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 \$262,455.

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 7 locomotives<sup>4</sup> are used on the line. The last acquisition by NSR of a locomotive in this category occurred in 2010. NSR's accounting department has supplied the original acquisition cost of these 2010-acquired locomotives, which is \$1,571,904. This original acquisition cost has been indexed to the base and forecast years using the U.S. Department of Labor, Bureau of Labor Statistics

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<sup>4</sup> A 3,000 horsepower six-axle unit is used.

monthly Producer Price Index – Railroad Equipment, 1982=100 (PPI-RE). The composite PPI-RE for the months comprising the base year is 194.73. The average of forecasted values for PPI-RE for August – December 2013 as contained in the Association of American Railroads (AAR) submission to the Board for the fourth quarter 2013 Rail Cost Adjustment Factor (RCAF), which is 199.43, has been used as a proxy for the forecast year PPI-RE. The 2010 index value in the PPI-RE series 1982=100 is 184.4. The Base and Forecast/Subsidy Year locomotive replacement costs thus produced are \$1,659,918 and \$1,700,058, 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 49CFR 1152.33(b)(3). The fringe benefit rate calculated for the Base Year is 42.44%.

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 3.37% for 2012, 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 7 locomotives in 2012 was 34.2 years. As 3.37% times 34.2 exceeds 100%, Category 7 locomotives are considered fully depreciated and have a zero book value for the purpose of these calculations, and thus the depreciation expense is zero.

#### 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,<sup>5</sup> the Suffolk – Edgerton line (which includes both the Suffolk – Franklin and Franklin-Edgerton line segments) was served five days per week by local assignment V31, which used one six-axle 3,000 horsepower locomotive. Local train V31 had a two or three-person crew which went on and off duty at Suffolk, Virginia, which is approximately 20 miles east of Franklin. A total of 245 crew starts were operated during the Base Year. Prior to the suspension of service earlier this year, the V31 crew made up its train at Suffolk and proceeded westward, switching as required enroute. The crew would turn at Emporia or at Edgerton, depending on whether switching were required beyond Emporia. As 19 carloads of freight were handled at Edgerton during the Base Year, I am assuming, conservatively, that the crew turned at Edgerton 38 times (once each for a single loaded and empty car) and at Emporia the remaining 207 times.

On days the V31 crew turned at Emporia, the total round trip mileage is 111.8, of which 35.6 are on-branch; if the crew turned at Edgerton, the total round trip mileage is 145.8, of which 35.6 are on-branch. On a mileage pro-rata basis, the crew would

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<sup>5</sup> Operations on the Franklin – Edgerton line segment were terminated as of October 1, 2013, and operations on the Suffolk – Franklin line segment were terminated as of January 31, 2014, as discussed above.

spend 30.4% of its time on duty on the Suffolk-Franklin line segment, and thus 30.4% of the V31 assignment's actual compensation during the Base Year is attributed to the branch as crew costs, for a total of \$81,765, 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 41.3%. 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 12.3 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*. Because book value for Category 7 locomotives is zero for the purpose of these calculations, return on value expense for locomotives is also zero.

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 Suffolk – Franklin 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)	\$519,489
B. Locomotive depreciation	0
C. Freight car depreciation	<u>226</u>
D. Avoidable costs less depreciation (A-B-C)	\$519,263
E. Working capital (D x 0.041)	\$21,340

Income tax consequences are \$573,387, the estimated net liquidation value of the track at the end of the forecast year, \$1,549,696, 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 \$1,525,908. 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 1.56%, 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, \$23,788. The net liquidation value at the end of the forecast year is thus \$1,549,696.

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 – 2012, *Ex Parte* No. 558 (Sub-No. 16), served August 30, 2013 and the Board's regulations found at 49 CFR §1152.34(d). The current nominal before tax cost of capital rate thus calculated is 17.21%.

The nominal return on road properties, Appendix 1, line 14, was calculated by multiplying the valuation of property by 17.21%.

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 \$23,788.

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 March 17, 2014.



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Marcellus C. Kirchner

**Surface Transportation Board Docket No. AB 290 (Sub-No. 362X)****Norfolk Southern Railway Company****Pro Forma Income Statement****Proposed Discontinuance of Service****Suffolk, VA to Franklin, VA - Milepost FD 19.2 to FD 37.0**

Railway operating revenues and expenses\* for the Suffolk to Franklin, VA line segment; a total distance of approximately 17.8 miles.

	Base Year Operations <sup>1</sup>	Forecast Year Operations <sup>2</sup>	Projected Subsidy Year Operations <sup>2</sup>
CARLOADS:	203	203	203
<b>REVENUES ATTRIBUTABLE FOR:</b>			
1 Freight originated and/or terminated on branch	\$ 563,293	\$ 572,074	\$ 572,074
2 Bridge traffic	0	0	0
3 All other revenue and income	0	0	0
4 TOTAL REVENUES ATTRIBUTABLE (Lines 1 through 3)	\$ 563,293	\$ 572,074	\$ 572,074
<b>AVOIDABLE COSTS FOR:</b>			
5 ON-BRANCH COSTS:	\$ 511,515	\$ 519,489	\$ 519,489
a. Maintenance of Way and Structures	262,455	266,546	266,546
b. Maintenance of Equipment	19,647	19,953	19,953
c. Transportation	225,396	228,910	228,910
d. General Administrative	0	0	0
e. Deadheading, Taxi and Hotel	0	0	0
f. Overhead Movement	0	0	0
g. Freight Car Costs (other than return on freight cars)	2,673	2,715	2,715
h. Return on Value - Locomotives	0	0	0
i. Return on Value - Freight Cars	1,344	1,365	1,365
j. Revenue Taxes	0	0	0
k. Property Taxes	0	0	0
6 OFF-BRANCH COSTS:	\$ 596,017	\$ 605,309	\$ 605,309
a. Off-Branch Costs (other than return on freight cars)	592,989	602,233	602,233
b. Return on Value - Freight Cars	3,028	3,076	3,076
7 TOTAL AVOIDABLE COSTS (line 5 plus line 6)	\$ 1,107,532	\$ 1,124,798	\$ 1,124,798
<b>SUBSIDIZATION COSTS FOR:</b>			
8 Rehabilitation		\$ 1,027,500	\$ 1,027,500
9 Administration Costs (subsidy year only)			5,721
10 Casualty Reserve Account			
11 TOTAL SUBSIDIZATION COSTS (lines 8 through 10)		\$ 1,027,500	\$ 1,033,221
<b>RETURN ON VALUE:</b>			
12 Valuation of property (lines 12a through 12c)		\$ 2,144,423	\$ 2,144,423
a. Working capital		21,340	21,340
b. Income tax consequences		573,387	573,387
c. Net liquidation value		1,549,696	1,549,696
13 Nominal rate of return		17.21%	17.21%
14 Nominal return on value (line 12 times line 13)		\$ 369,055	\$ 369,055
15 Holding gain (loss)		23,788	23,788
16 TOTAL RETURN ON VALUE (line 14 minus line 15)		\$ 345,267	\$ 345,267
17 AVOIDABLE LOSS FROM OPERATIONS (line 4 minus line 7)	\$ (544,239)	\$ (552,724)	\$ (552,724)
18 ESTIMATED FORECAST YEAR LOSS FROM OPERATIONS (line 4 minus lines 7 and 16)		\$ (897,991)	\$ (897,991)
19 ESTIMATED SUBSIDY (line 4 minus lines 7, 11 and 16)			\$ (1,931,212)

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

1. October 2012 - September 2013 is the Base Year.

2. March 2014 - February 2015 is the forecast year and the subsidy year

Docket No. AB 290 (Sub-No. 362X)

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

Commodity	STCC	2010		2011		2012		12 Months Ending September 2013 (Base year)	
		Cars	Tons	Cars	Tons	Cars	Tons	Cars	Tons
CAUSTIC SODIUM	2812220	14	1,356	1	101	29	2,856	142	14,014
COMMON LIME	3274110	54	5,380	0	0	52	5,177	7	693
CORN STARCH	2046210	31	2,802	0	0	0	0	0	0
FATTY ACIDS	2899440	3	240	0	0	1	75	1	75
PAPER STOCK	4024181	11	750	0	0	0	0	0	0
PRINTING PAPER	2621345	12	751	0	0	0	0	0	0
PULPWOOD	2411140	6	517	0	0	0	0	0	0
SCRAP PAPER	4024115	35	2,392	0	0	0	0	0	0
WOODPULP	2611135	2	96	0	0	8	453	24	1,364
WRAPPING PAPER	2621490	1	67	0	0	0	0	0	0
BITUMINOUS COAL	1121290	434	44,619	0	0	0	0	0	0
LOGS, NATIVE WOOD	2411115	15	1,200	0	0	0	0	0	0
PULPWOOD EXCEEDING 5FT	2411411	2	75	0	0	0	0	0	0
WOOD CHIPS, NOT CHARRED	2411545	707	63,615	0	0	0	0	0	0
PULP MILL LIQUID	2611220	50	4,887	0	0	0	0	0	0
PULPBOARD	2631117	104	6,436	0	0	0	0	0	0
SODIUM CHLORATE	2819924	25	2,704	0	0	54	5,795	18	1,939
KAOLIN & WATER MIXED	3295230	1	96	0	0	0	0	0	0
LIMESTONE SLURRY	3295956	2	201	0	0	0	0	0	0
POTASSIUM CHLORIDE	2812534	9	896	2	200	1	99	0	0
AMMONIUM POLYPHOSPHATE	2871451	3	294	0	0	0	0	0	0
AMMONIUM THIOSULFATE	2819173	4	386	7	683	10	975	7	672
CAUSTIC SODA SOLUTION, SPENT	4025187	0	0	1	92	0	0	0	0
CAR FOR SCRAPE	3742293	0	0	0	0	0	0	3	3
STEARIC ACID	2899470	0	0	0	0	0	0	1	95
<b>Totals:</b>		<b>1,525</b>	<b>139,759</b>	<b>11</b>	<b>1,076</b>	<b>155</b>	<b>15,430</b>	<b>203</b>	<b>18,856</b>

Customers on line:

International Paper  
34040 Union Camp Drive  
Franklin, VA 23851  
(757) 569-4321

Specialty Minerals Inc  
485 Carrsville Hwy  
Franklin, VA 23851  
(757) 562-7511

Meherrin Agriculture & Chemical  
6710 South Quay Road  
Holland, VA 23437  
(757) 657-2022

NORMALIZED MAINTENANCE PROJECTION  
2014 to 2023  
FRANKLIN DISTRICT - CLASS 1

			MILEPOSTS FD			17.80 ROUTE MILES						
			19.20	37.00								
			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 - 5 days per week - 7 in summer	\$72,234	PER YEAR	72,234	72,234	72,234	72,234	72,234	72,234	72,234	72,234	72,234	72,234
GENERAL TRACK REPAIR	\$3,000	PER MILE	53,400	53,400	53,400	53,400	53,400	53,400	53,400	53,400	53,400	53,400
DITCHING - 11 days per year	\$15,347	PER YEAR	15,347	15,347	15,347	15,347	15,347	15,347	15,347	15,347	15,347	15,347
BRUSH CUTTING - not needed due to spraying	\$0	PER MILE										
RAIL TESTING - twice per year	\$146	PER MILE	2,600	2,600	2,600	2,600	2,600	2,600	2,600	2,600	2,600	2,600
VEGETATION CONTROL												
BALLAST - annual	\$8,989	PER YEAR	8,989	8,989	8,989	8,989	8,989	8,989	8,989	8,989	8,989	8,989
CROSSINGS - annual - 38 crossings	\$19,434	PER YEAR	19,434	19,434	19,434	19,434	19,434	19,434	19,434	19,434	19,434	19,434
BRUSH - every third year	\$5,026	PER YEAR		5,026			5,026			5,026		
SIGNAL SYSTEM	\$3,339	PER MILE	59,434	59,434	59,434	59,434	59,434	59,434	59,434	59,434	59,434	59,434
BRIDGE REPAIRS	\$33,600	BRIDGE DEPT.	33,600	33,600	33,600	33,600	33,600	33,600	33,600	33,600	33,600	33,600
ROUTINE	SUBTOTAL		\$265,038	\$270,064	\$265,038	\$265,038	\$270,064	\$265,038	\$265,038	\$270,064	\$265,038	\$265,038
PROGRAM WORK												
RAIL RENEWAL (NEW)	Var Miles	\$688,000	PER MILE									
DUAL RENEWAL (NEW)	Var Miles	\$634,000	PER MILE									
TIMBER AND SURFACE	Var Miles	\$137,000	PER MILE	1,027,500		1,411,100						
SURFACING	Var Miles	\$38,000	PER MILE									
SIGNAL			SIGNAL DEPT.									
BRIDGE - replace trestles			BRIDGE DEPT.							854,500		
PROGRAM	SUBTOTAL		\$1,027,500	\$0	\$1,411,100	\$0	\$0	\$0	\$0	\$854,500	\$0	\$0
MAINTENANCE TOTAL			\$265,038	\$1,297,564	\$1,676,138	\$265,038	\$270,064	\$265,038	\$265,038	\$1,124,564	\$265,038	\$265,038

MAINTENANCE SUMMARY:	ROUTINE MAINTENANCE WORK				PROGRAM MAINTENANCE WORK				LINE TOTAL
	RDWY	BRIDGE	SIGNAL	TOTAL	RDWY	BRIDGE	SIGNAL	TOTAL	
TEN YEAR PROJECTED TOTAL =	\$1,735,120	\$336,000	\$594,342	\$2,665,462	\$2,438,600	\$854,500	\$0	\$3,293,100	\$5,958,562
ANNUAL COST FOR LINE =	\$173,512	\$33,600	\$59,434	\$266,546	\$243,860	\$85,450	\$0	\$329,310	\$595,856
ANNUAL COST PER MILE =	\$9,748	\$1,888	\$3,339	\$14,975	\$13,700	\$4,801	\$0	\$18,501	\$33,475

\* Program T&S work in 2014 is for mileposts FD 19.2 - 26.7 (7.5 miles)

\* Program T&S work in 2016 is for mileposts FD 26.7 - 37.0 (10.3 miles)

\* Signal System = Crossing Inspections. This figure includes 1.25 signal maintainers inspecting the 38 crossings. The cost also includes the maintenance of the vehicle the signal maintainers drive.

### 10-YEAR PROJECTION OF BRIDGE COSTS

LINE SEGMENT :(MP FD-19.2) TO (MP FD-37.0)

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	CAPITAL	EXPENSE
2014	\$33,600	NONE	\$0	\$0	NONE	\$0	\$0			\$0	\$0	\$0	\$0
2015	\$33,600	NONE	\$0	\$0	NONE	\$0	\$0			\$0	\$0	\$0	\$0
2016	\$33,600	NONE	\$0	\$0	NONE	\$0	\$0			\$0	\$0	\$0	\$0
2017	\$33,600	NONE	\$0	\$0	NONE	\$0	\$0			\$0	\$0	\$0	\$0
2018	\$33,600	NONE	\$0	\$0	NONE	\$0	\$0			\$0	\$0	\$0	\$0
2019	\$33,600	NONE	\$0	\$0	NONE	\$0	\$0			\$0	\$0	\$0	\$0
2020	\$33,600	NONE	\$0	\$0	NONE	\$0	\$0			\$0	\$0	\$0	\$0
2021	\$33,600	NONE	\$0	\$0	NONE	\$0	\$0	FD-22.5	Replace Trestle	\$822,000	\$32,500	\$822,000	\$66,100
2022	\$33,600	NONE	\$0	\$0	NONE	\$0	\$0			\$0	\$0	\$0	\$0
2023	\$33,600	NONE	\$0	\$0	NONE	\$0	\$0			\$0	\$0	\$0	\$0
10-YEAR TOTAL	\$336,000		\$0	\$0		\$0	\$0			\$822,000	\$32,500	\$822,000	\$66,100
10-YEAR AVG.	\$33,600		\$0	\$0		\$0	\$0			\$82,200	\$3,250	\$82,200	\$6,610

Net Liquidation Value Estimate							
Suffolk - Franklin. VA							
MP FD 19.2 - 37.0							
17.8 Miles of Track							
Gross Value							
Item	Total Length	Quantity	Unit	Unit Value	Gross Value		
132	#RAIL	ft	0	NT @	\$399	/NT=	\$0
	#OTM		0	NT @	\$411	/NT=	\$0
131	#RAIL	ft	0	NT @	\$399	/NT=	\$0
	#OTM		0	NT @	\$411	/NT=	\$0
130	#RAIL	ft	0	NT @	\$399	/NT=	\$0
	#OTM		0	NT @	\$411	/NT=	\$0
115	#RAIL	ft	0	NT @	\$399	/NT=	\$0
	#OTM		0	NT @	\$411	/NT=	\$0
112	#RAIL	35904 ft	1273	NT @	\$399	/NT=	\$508,085
	#OTM		572	NT @	\$411	/NT=	\$234,893
110	#RAIL	31680 ft	1104	NT @	\$399	/NT=	\$440,304
	#OTM		504	NT @	\$411	/NT=	\$207,259
100	#RAIL	26400 ft	836	NT @	\$399	/NT=	\$333,564
	#OTM		262	NT @	\$411	/NT=	\$107,667
90	#RAIL	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
<b>Turnouts</b>			5	EA @	\$2,000	EA=	\$10,000
<b>Crossties</b>	0	%	0	EA @	\$5	EA=	\$0
<b>Gross Value Subtotal=</b>							<b>\$1,841,772</b>
Removal Costs							
Remove Track and Repair			93984	ft @	\$2.85	/ft =	\$267,854
Grade Crossings							
Remove Turnouts			5	EA @	\$500	EA=	\$2,500
Handling Costs			4551	NT @	\$10.00	/NT=	\$45,510
<b>Removal Costs Subtotal=</b>							<b>\$315,864</b>
<b>Estimated Net Liquidation Value=</b>							<b>\$1,525,908</b>
<b>Value per Mile =</b>							<b>\$85,725</b>

**STB Docket No. AB-290 (Sub-No. 362X)  
Norfolk Southern Railway Company Discontinuance of Service  
Suffolk - Franklin, Virginia**

**WORKPAPERS**

Locomotive Cost

Category	GMA Horsepower Classification	Year of Last Purchase or Rebuild	Unit Initial	Unit Number	Historic Cost	2010	2011	2012	7/12 - 6/13	12/13 - 11/14
1	999 HP and under									
2	1,000 HP - 1,499 HP	2008	NS							
3	1,500 HP - 1,749 HP	1982	NS							
4	1,750 HP - 1,999 HP	1952	NS							
5	2,000 HP - 2,499 HP	2007	NS							
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	<b>\$1,659,918</b>	<b>\$1,700,058</b>
8	3,600 HP and over	2012	NS							
9	Booster	2008	NS							

**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	135.8	135.8	135.7
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	196.7	198.4	198.4	198.4						

Apr - Jul 2013 is preliminary

Forecast of PPI - Rail Equipment in AAR submission to STB for the Fourth Quarter 2013 quarterly Rail Cost Adjustment Factor (RCAF)

2013	198.799	199.116	199.434	199.751	200.069
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Shading Legend:

(no shading)	AAR forecasted values
(no shading)	Actual values

Locomotive Cost Indices

Category	Horsepower	Year of Last Purchase or Rebuild	Adjustment Factor	2010	2011	2012	7/12 - 6/13	11/2013 - 10/2014
				184.40	187.00	191.80	194.73	199.43
1	999 HP and under							
2	1,000 HP - 1,499 HP	2008						
3	1,500 HP - 1,749 HP	1982						
4	1,750 HP - 1,999 HP	1952						
5	2,000 HP - 2,499 HP	2007						
6	2,500 HP - 2,999 HP							
7	3,000 HP - 3,599 HP	2010	184.40	1.00	1.01	1.04	1.06	1.08
8	3,600 HP and over	2012						
9	Booster	2008						

## Depreciation Fourth Quarter 2013

### PPI RAILROAD EQUIPMENT

Recommended model: Exponential Smoothing

Forecast Model for PPIRE

Holt exponential smoothing: Linear trend, No seasonality

Component	Smoothing Weight	Final Value
Level	0.70470	198.48
Trend	0.02138	0.31741

#### Within-Sample Statistics

Sample size 72	Number of parameters 2
Mean 185.7	Standard deviation 5.788
R-square 0.9682	Adjusted R-square 0.9678
Durbin-Watson 1.975	Ljung-Box(18)=18.18 P=0.5564
Forecast error 1.039	BIC 1.088
MAPE 0.003515	RMSE 1.025
MAD 0.653	

#### Actual Values for the Most Recent 6 Periods:

Date	Actual
2013-02	195.200
2013-03	195.800
2013-04	196.700
2013-05	198.400
2013-06	198.400
2013-07	198.400

#### Forecasted Values

Date	2.5 Lower	Forecast	97.5 Upper
2013-08	196.667	198.799	200.931
2013-09	196.490	199.116	201.743
2013-10	196.392	199.434	202.476
2013-11	196.344	199.751	203.158
2013-12	196.332	200.069	203.805
<b>QTR AVG</b>	<b>196.356</b>	<b>199.751</b>	<b>203.146</b>

Background

Suffolk, VA - Franklin, VA Milepost FD 19.2 - 37.0

Background Data

	Dates	Ending Quarter
Base Year	10/12 - 09/13	2013 Q3
Forecast Year	03/14 - 02/15	2015 Q1

	To Edgerton	To Emporia
Beginning Milepost	37.00	37.00
Ending Milepost	90.20	73.20
Total Miles	53.20	36.20

Suffolk - Franklin Discontinuance		
Beginning Milepost	19.20	
Ending Milepost	37.00	
Total Miles	17.80	

	<b>Miles to Discontinue</b>	<b>17.80</b>
Annual Trips	<b>245</b>	Crew Starts

Traffic Originating or Terminating On Branch		
Cars	Revenue	Per Car
203	\$ 563,293	\$ 2,775

Calculating time on-branch assuming 25 mph operation for Suffolk - Franklin

Franklin - Emporia

Service Days per Week			5.0
Crew Size			3
Roundtrip Mileage Crew Taxied			0
Hours Required to Serve Line (includes switching)			3.42
Average MPH Service On Line			25

Task	Minutes	Hours	Miles
17.8 Miles Transit @ 25 MPH	42.7	0.71	
Switching	120.0	2.00	
17.8 Miles Transit @ 25 MPH	42.7	0.71	
Total Round Trip Time On Branch	<b>205.4</b>	<b>3.42</b>	<b>35.60</b>

245 Trips

Calculating % of distance on-branch (Suffolk-Franklin) using one-way mileage

	Begin MP	End MP	Miles	Trips	Total Miles	On-branch miles
Suffolk - Edgerton	19.2	90.2	71.0			
Suffolk	17.3	19.2	1.9	245.0	466	
Suffolk - Franklin	19.2	37.0	17.8	245.0	4,361	4,361
Franklin - Emporia	37.0	73.2	36.2	245.0	8,869	
Emporia Edgerton	73.2	90.2	17.0	38.0	646	
Totals					14,342	4,361
% on-branch (milesge weighted)					30.4%	

Background

**Crew Statistics**

<b>Crew V31</b>	Gross Earnings	Productivity	Fringe (41%)	Add to Net	Hours Attributable to Branch	Total Hours/Day	% On Branch (mileage weighted)	Total Earnings Attributable to Branch
Conductor	\$ 92,097		\$ 38,036			8	30.4%	\$ 39,571
Brakeman	\$ 1,475		\$ 609			8	30.4%	\$ 634
Engineer	\$ 96,725		\$ 39,947			8	30.4%	\$ 41,560
<b>Totals</b>	<b>\$ 190,297</b>		<b>\$ 78,593</b>					<b>\$ 81,765</b>

**Locomotive Statistics** (from Loco Master)

Category Locomotive Used	7
Number Used	1
Average Tons	168.4
2012 average age	34.2

**1. Loco Unit Hours**

A. For ownership (Depreciation & ROI)

3.42 x 245 = **838.9 Annual Locomotive Unit Hours (LUH)**

B. For Usage (fuel)

3.42 x 245 = **838.9 Annual Locomotive Unit Hours (LUH)**

**2. Loco Unit Miles**

Running

17.8 **One-Way Miles**  
35.6 **Round Trip Miles**  
8,722.0 **Annual Miles**

Switching

35.6 x 245.0 = 8,722.0  
2.0 x 6.0 x 245.0 = 2,940.0 **Switching Miles**

TOTAL

8,722.0 + 2,940.0 = 11,662.0 **Locomotive Unit Miles (LUM)**

**3. Loco Gross Ton Miles**

11,662.0 x 168.4 = **1,963,880.8 Locomotive Gross Ton Miles (LGTM)**

Suffolk, VA - Franklin, VA Milepost FD 19.2 - 37.0  
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	ACCOUNT NO.	BASE YEAR		F'CAST/SUB YEAR	Spreadsheet/Source
		10/12 - 09/13	03/14 - 02/15	1.56%	
GDP Deflator Adjustment				1.56%	From GDP Deflator Spreadsheet
<b>Revenues:</b>					
1 a. Freight Originated or Terminated On Branch	101	\$563,293	\$572,074		
2 Bridge Traffic (assignable to branch)		0	0		
3 All Other Revenue and Income		0	0		
4 Total Revenues Attributable (Lines 1 through 3)		563,293	572,074		
<b>Avoidable Cost:</b>					
5 On-Branch Costs (from spreadsheets)		511,515	519,489		
a. Maintenance of Way and Structures		262,455	266,546		From Engineering
b. Maintenance of Equipment					
1 Locomotives:					
Repairs & Maintenance					
11-21-41 L		5,503	5,589		Loco Repairs
21-21-41 M		10,554	10,719		Loco Repairs
41-21-41 P		1,239	1,258		Loco Repairs
61-21-41 G		15	15		Loco Repairs
Fringe Benefits		12-21-00 G	2,336	2,372	Loco Repairs
Depreciation		62-21-00 G	0	0	Loco Depreciation
Total Locomotives			19,647	19,953	
2 Other			0	0	
Total Equipment			19,647	19,953	
c. Transportation					
1 Train Operations					
Engine Crews					
11-31-56 L		41,560	42,208		Transportation
21-31-56 M		0	0		Crew Materials
Train Crews					
11-31-57 L		40,205	40,832		Transportation
21-31-57 M		1	1		Crew Materials
Train Inspection & Lubrication					
11-31-62 L		31	31		Crew Materials
21-31-62 M		0	0		Crew Materials
Locomotive Fuel					
11-31-69 L		143,596	145,835		Loco Fuel
21-31-69 M		2	2		Loco Service
41-31-69 P		0	0		Loco Service
61-31-69 G		1	1		Loco Service
Fringe Benefits					
12-31-00 G		0	0		Included in labor
Total Transportation			225,396	228,910	
d. General Administrative			0	0	
e. Deadhead, Taxi and Hotel			0	0	Transportation
f. Overhead Movement			0	0	
g. Freight Car Costs (other than return on freight cars)			2,673	2,715	Car Cost
h. Return on Value - Locomotives			0	0	Loco ROI
i. Return on Value - Freight Cars			1,344	1,365	Car Cost
j. Revenue Taxes			0	0	
k. Property Taxes			0	0	
l. Total (Lines 5a through 5k)					
6 Off-Branch Costs		596,017	605,309		
a. Off-Branch Costs (other than return on freight cars)		592,989	602,233		Cost Department
b. Return on Value - Freight Cars		3,028	3,076		Cost Department
7 Total Avoidable Costs		1,107,532	1,124,798		
<b>Subsidization Costs:</b>					
8 Rehabilitation			1,027,500		Timber and surface 7.5 miles
9 Administrative Costs			5,721		1% of total revenue on branch
10 Casualty Reserve Account			0		
11 Total Subsidization Costs (Lines 8 through 10)			1,033,221		
12 Valuation of Road Properties (Lines 12a through 12c)					
(a) Working Capital			21,340		Working Capital
(b) Income Tax Consequences			573,387		Working Capital
(c) Net Liquidation Value			1,549,696		Working Capital
Total Valuation of Properties			2,144,423		Working Capital
13 Nominal Rate of Return			17.21%		Pre Tax nominal rate
14 Nominal Return on Value (Line 12 * Line 13)			369,055		
15 Holding Gain/Loss on Road Properties			23,788		
16 Return on Value (Line 14-15)			345,267		
17 Avoidable Loss from Operations (Line 4-7)		(544,239)	(552,724)		
18 Avoidable Loss Including Return on Value (Line 4-7-16)			(897,991)		
19 Estimated Subsidy (line 4-7, 11 and 16)			(1,931,212)		

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**LOCOMOTIVE RETURN ON INVESTMENT**  
**Suffolk, VA - Franklin, VA Milepost FD 19.2 - 37.0**

	<u>Base Year</u> <u>10/12 - 09/13</u>
	<u>GMA'S LOCO</u> <u>CAT 7</u>
A. SYSTEM LOCO UNIT HOURS	10,147,666
B. SYSTEM LOCO UNITS	2,566.0
C. SYS LOCO UNIT HRS./LOCO UNIT (LINE A / LINE B)	3,955
D. REPLACEMENT COST	<b>\$1,659,918</b>
E. DEPRECIATION RATE	3.37%
F. ANNUAL DEPRECIATION (LINE D x LINE E)	\$55,939
G. LOCO AGE	34.2
H. ACCUMULATED DEPRECIATION (LINE F x LINE G)	\$1,913,114
I. NET INVESTMENT (LINE D - LINE H)	\$0
J. COST OF CAPITAL	17.21%
K. ANNUAL ROI (LINE I x LINE J)	\$0
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	838.9
P. LOCO UNIT HOURS ON BRANCH BY LOCO CATEGORY (LINE N x LINE O)	838.9
Q. RATIO LOCO UNIT HOURS ON BRANCH TO SYS LOCO UNIT HOURS PER LOCO UNIT (LINE P / LINE C)	0.212
R. ANNUAL ROI ON BRANCH (LINE K x LINE Q)	\$0
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%.**

Loco ROI

	<u>Forecast Year 03/14 - 02/15</u>
	<u>GMA'S LOCO CAT 7</u>
A. SYSTEM LOCO UNIT HOURS	10,147,666
B. SYSTEM LOCO UNITS	2,566
C. SYS LOCO UNIT HRS./LOCO UNIT (LINE A / LINE B)	3,955
D. REPLACEMENT COST	<b>\$1,700,058</b>
E. DEPRECIATION RATE	3.37%
F. ANNUAL DEPRECIATION (LINE D x LINE E)	\$57,292
G. LOCO AGE	35.2
H. ACCUMULATED DEPRECIATION (LINE F x LINE G)	\$2,016,678
I. NET INVESTMENT (LINE D - LINE H)	\$0
J. COST OF CAPITAL	17.21%
K. ANNUAL ROI (LINE I x LINE J)	\$0
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	838.88
P. LOCO UNIT HOURS ON BRANCH BY LOCO CATEGORY (LINE N x LINE O)	839.0
Q. RATIO LOCO UNIT HOURS ON BRANCH TO SYS LOCO UNIT HOURS PER LOCO UNIT (LINE P / LINE C)	0.212
R. ANNUAL ROI ON BRANCH (LINE K x LINE Q)	\$0
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%.**

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Loco Depreciation

**LOCOMOTIVE DEPRECIATION**  
**Suffolk, VA - Franklin, VA Milepost FD 19.2 - 37.0**

	<u>Base Year</u> <u>10/12 - 09/13</u>
	<u>GMA'S LOCO</u> <u>CAT 7</u>
A. SYSTEM LOCO UNIT HOURS	10,147,666
B. SYSTEM LOCO UNITS	2,566
C. SYS LOCO UNIT HRS./LOCO UNIT (LINE A / LINE B)	3,955
D. REPLACEMENT COST	\$1,659,918
E. DEPRECIATION RATE	3.37%
F. ANNUAL DEPRECIATION (LINE D x LINE E)	\$0
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	839
K. LOCO UNIT HOURS ON BRANCH BY LOCO CATEGORY (LINE I x LINE J)	839
L. RATIO LOCO UNIT HOURS ON BRANCH TO SYS LOCO UNIT HOURS PER LOCO UNIT (LINE K / LINE C)	0.212
M. ANNUAL DEPRECIATION ON BRANCH (LINE F x LINE L)	\$0
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%.**

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**LOCOMOTIVE DEPRECIATION**  
**Suffolk, VA - Franklin, VA Milepost FD 19.2 - 37.0**

	<u>Forecast Year</u> <u>03/14 - 02/15</u>
	<u>GMA'S LOCO</u> <u>CAT 7</u>
A. SYSTEM LOCO UNIT HOURS	10,147,666
B. SYSTEM LOCO UNITS	2,566
C. SYS LOCO UNIT HRS./LOCO UNIT (LINE A / LINE B)	3,955
D. REPLACEMENT COST	\$1,700,058
E. DEPRECIATION RATE	3.37%
F. ANNUAL DEPRECIATION (LINE D x LINE E)	\$0
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	839
K. LOCO UNIT HOURS ON BRANCH BY LOCO CATEGORY (LINE I x LINE J)	839
L. RATIO LOCO UNIT HOURS ON BRANCH TO SYS LOCO UNIT HOURS PER LOCO UNIT (LINE K / LINE C)	0.212
M. ANNUAL DEPRECIATION ON BRANCH (LINE F x LINE L)	\$0
N. TOTAL DEPRECIATION (SUM OF LINE M AMOUNTS)	\$0

**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**

Suffolk, VA - Franklin, VA Milepost FD 19.2 - 37.0

Base Year  
10/12 - 09/13

	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	\$158	\$2,478	\$65,123	\$114
B. CAR MILE PORTION RATIO	27%	27%	27%	27%
C. SYSTEM CAR MILE EXPENSES (LINE A x LINE B)	\$43	\$674	\$17,704	\$31
D. SYSTEM CAR MILES L & E (RR OWN & LEA, PVT & NO PAY MI)	4,241,398	4,241,398	4,241,398	4,241,398
E. SYSTEM EXPENSES PER CAR MILE L/E (LINE C / LINE D)	\$0.0000101	\$0.0001588	\$0.0041742	\$0.0000073
F. BRANCH CAR MILES L & E	7,227	7,227	7,227	7,227
G. BRANCH CAR MILE EXPENSES (LINE E x LINE F)	\$0	\$1	\$30	\$0
<hr/>				
H. CARLOAD PORTION RATIO	73%	73%	73%	73%
I. SYSTEM CAR LOAD EXPENSES (LINE A x LINE H)	\$115	\$1,804	\$47,419	\$83
J. SYSTEM CARLOADS (QCS-COST DEPT)	11,359,957	11,359,957	11,359,957	11,359,957
K. SYSTEM EXPENSES PER CARLOAD (LINE I / LINE J)	\$0.00001	\$0.00016	\$0.00417	\$0.00001
L. BRANCH CARLOADS	203	203	203	203
M. BRANCH CARLOAD EXPENSES (LINE K x LINE L)	\$0	\$0	\$1	\$0
<hr/>				
TOTAL EXPENSES (LINE G + LINE M)	\$0	\$1	\$31	\$0

Loco Service

**SERVICING LOCOMOTIVES**

**Suffolk, VA - Franklin, VA Milepost FD 19.2 - 37.0**

	<u>Base Year</u> <u>10/12 - 09/13</u>
A. BRANCH LOCO UNIT MILES	11,662
B. SYSTEM LOCO UNIT MILES	173,977,897
C. RATIO (LINE A/ LINE B)	0.000067
D. SYSTEM LABOR EXPENSE (ACC 11-31-69) (R-1, Sch. 410, Line 411)	\$30,058
E. BRANCH LABOR EXPENSE (LINE C x LINE D)	\$2
F. SYSTEM MATERIAL EXPENSE (ACC 21-31-69)	\$5,321
G. BRANCH MATERIAL EXPENSE (LINE C x LINE F)	\$0
H. SYSTEM PURCHASED EXPENSE (ACC 41-31-69)	\$9,026
I. BRANCH PURCHASED EXPENSE (LINE C x LINE H)	\$1
J. SYSTEM GENERAL EXPENSE (ACC 61-31-69)	\$12
K. BRANCH GENERAL EXPENSE (LINE C x LINE J)	\$0

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Loco Repairs

**LOCOMOTIVE REPAIRS AND MAINTENANCE**

**Suffolk, VA - Franklin, VA Milepost FD 19.2 - 37.0**

**Base Year  
10/12 - 09/13**

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A. BRANCH TONS PER UNIT	168
B. BRANCH LOCO UNIT MILES	11,662
C. BRANCH LOCO GTM (LINE A x LINE B)	1,963,881
D. SYSTEM LOCO GTM	33,553,923
E. RATIO (LINE C / LINE D)	0.058529
F. RATIO ROAD PORTION	0.928
G. SYSTEM LABOR EXPENSE (ACC 11-21-41)	\$101,303
H. BRANCH LABOR EXPENSE (LINE'S E x F x G)	\$5,503
I. SYSTEM MATERIAL EXPENSE (ACC 21-21-41)	\$194,296
J. BRANCH MATERIAL EXPENSE (LINE'S E x F x I)	\$10,554
K. SYSTEM PURCHASED EXPENSE (ACC 41-21-41)	\$22,816
L. BRANCH PURCHASED EXPENSE (LINE'S E x F x K)	\$1,239
M. SYSTEM GENERAL EXPENSE (ACC 61-21-41)	\$270
N. BRANCH GENERAL EXPENSE (LINE'S E x F x M)	\$15
O. FRINGE RATE	42.44%
P. TOTAL FRINGES (LINE H x LINE O)	\$2,336

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Loco Fuel

**LOCOMOTIVE FUEL**

**Suffolk, VA - Franklin, VA Milepost FD 19.2 - 37.0**

**Base Year  
10/12 - 09/13**

	GMA'S LOCO CAT 7
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A. GMA'S REPAIR & SUPPLIES COSTS PER LOCO UNIT HR. (AS OF 7/1/82)	\$81.50
B. GMA'S FUEL PORTION	0.64
C. FUEL EXPENSE PER LOCO UNIT HR. (LINE A x LINE B)	\$52.16
D. AAR'S CRC INDEX - FUEL (ANNUAL 1982 TO CURRENT YEAR)	3.282
E. FUEL EXPENSE PER LOCO UNIT HR. (LINE C x D)	\$171.18
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	839
J. LOCO UNIT HOURS ON BRANCH BY LOCO CATEGORY (LINE H x LINE I)	839
K. FUEL EXPENSES BY CATEGORY (LINE E x LINE J)	\$143,596
L. TOTAL FUEL EXPENSES (SUM OF LINE K AMOUNTS)	\$143,596

Suffolk, VA - Franklin, VA Milepost FD 19.2 - 37.0  
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**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

**Suffolk, VA - Franklin, VA Milepost FD 19.2 - 37.0**

	<b>03/14 - 02/15</b>
	<b>Forecast Year</b>
On Branch Avoidable Cost	\$ 519,489
Less Locomotive Depreciation	\$ -
Less Freight Car Depreciation	\$ 226
Subtotal	<u>\$ 519,263</u>
15 days on branch cash avoidable cost (provision 49 CFR 1152.34)	0.041
<b>Working Capital</b>	<b>\$ 21,340</b>
Present (Begin Forecast Year) NLV	\$ 1,525,908
End of Forecast Year NLV	\$ 1,549,696
Income Tax Consequences (NLV*37% Tax Rate)	\$ 573,387
Holding Gain Road Properties	\$ 23,788
Nominal Opportunity Cost	\$ 262,609
Opportunity Cost	\$ 238,821

Suffolk, VA - Franklin, VA Milepost FD 19.2 - 37.0  
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**LOCOMOTIVE RETURN ON INVESTMENT  
LESS HOLDING GAIN(LOSS)  
Suffolk, VA - Franklin, VA Milepost FD 19.2 - 37.C**

	FORECAST YEAR GMA'S LOCO CAT 7
A. SYSTEM LOCO UNIT HOURS	10,147,666
B. SYSTEM LOCO UNITS	2,566
C. SYS LOCO UNIT HRS./LOCO UNIT (LINE A / LINE B)	3,955
D. REPLACEMENT COST (END OF FORECAST YEAR)	\$ 1,700,058
E. REPLACEMENT COST (BEGINNING OF FORECAST YEAR)	\$ 1,659,918
F. HOLDING GAIN(LOSS) AT REPLACEMENT (LINE D - LINE E)	\$ 40,140
G. TOTAL YEARS DEPRECIATION ( 100% / 3.86% )	29.7
H. LOCOMOTIVE AGE	35.2
I. NET BASE INVESTMENT YEARS (LINE G - LINE H)	0.0
J. REPL. LESS DEPR. ADJUSTMENT RATIO (LINE I / LINE G)	0.000
K. HOLDING GAIN(LOSS) AT REPL. LESS DEPR. (LINE F x LINE J)	\$ -
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	839
P. LOCO UNIT HOURS ON BRANCH BY LOCO CAT. (LINE N x LINE O)	839
Q. RATIO LUH ON BR. TO SYS LUH PER LOCO UNIT (LINE P / LINE C)	0.212
R. HOLDING GAIN(LOSS) BY LOCO CAT. (LINE K x LINE Q)	0
S. HOLDING GAIN(LOSS) (SUM OF LINE R AMOUNTS)	0
T. RETURN ON INVESTMENT (SEE BASE YEAR ROI SHEET)	\$ -
U. ROI MINUS HOLDING GAIN(LOSS) (LINE T - LINE S)	\$ -

Car Costs - Return on Value and Holding Gain/Loss

CAR DESCRIPTION	AAR Car Type	STB Car Type	Investment Base (000)	R-1 Sch. 415 (g)	R-1 Sch. 415 (i)	Units at End of Year	R-1 Sch. 710 (b)	Return on Value per car-day	Holding Gain/Loss per car-day
				Accumulated Depreciation (000)	Net Investment (000)		Net Investment per Unit		
Box Car - Equipped	A	3	\$ 424,255	\$ 224,392	\$ 199,863	13,996	\$ 14,280	\$ 6.73	\$ 0.61
Gondola - Equipped	E	5	\$ 409,108	\$ 144,818	\$ 264,290	17,897	\$ 14,767	\$ 6.96	\$ 0.63
Hopper - Covered	C	6	\$ 411,387	\$ 142,276	\$ 269,111	11,304	\$ 23,807	\$ 11.23	\$ 1.02
Tank Car (<22,000 Gallons)	T	15			\$ -	0	\$ -	\$ -	\$ -

Cost of Capital	GDP Deflator
17.21%	1.56%

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
Box Car - Equipped	A	3	FOREIGN	120	12	10.0	446	\$ 1,484.00	\$ 26.00	\$ -	\$ -	\$ 807.97	\$ 73.19
Box Car - Equipped	A	3	SYSTEM	83	12	6.9	468	\$ -	\$ -	\$ 199.00	\$ 822.00	\$ 558.85	\$ 50.62
Hopper - Covered	C	6	PRIVATE	467	25	18.7	1,700	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Gondola - Equipped	E	5	SYSTEM	16	3	5.3	299	\$ -	\$ -	\$ 23.00	\$ 119.00	\$ 111.41	\$ 10.09
Tank Car (<22,000 Gallons)	T	15	PRIVATE	3,134	151	20.8	6,578	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
				<b>3,820</b>	<b>203</b>	<b>12.3</b>	<b>9,491</b>	<b>\$ 1,484.00</b>	<b>\$ 26.00</b>	<b>\$ 222.00</b>	<b>\$ 941.00</b>	<b>\$ 1,478.23</b>	<b>\$ 133.90</b>

	TOTALS	
	ROV	Depreciation (Only)
Repair & Depreciation	\$ 1,163.00	\$ 222.00
Per Diem	\$ 1,484.00	
Mileage	\$ 26.00	
<b>TOTAL</b>	<b>\$ 2,673.00</b>	<b>\$ 222.00</b>
Holding Gain/Loss		\$ 133.90
ROV less Holding Gain/Loss		\$ 1,344.33

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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)
Box Car - Equipped	A	3	FOREIGN	250	12	20.8	\$ 1,683.28	\$ 152.48
Box Car - Equipped	A	3	SYSTEM	197	12	16.4	\$ 1,326.43	\$ 120.15
Hopper - Covered	C	6	PRIVATE	1,168	25	46.7	\$ -	\$ -
Gondola - Equipped	E	5	SYSTEM	46	3	15.3	\$ 320.29	\$ 29.01
Tank Car (<22,000 Gallons)	T	15	PRIVATE	1,923	151	12.7	\$ -	\$ -
				<b>3,584</b>	<b>203</b>	<b>17.7</b>	<b>\$ 3,330.00</b>	<b>\$ 301.64</b>

<b>TOTAL</b>	<b>\$ 3,330.00</b>
Holding Gain/Loss	\$ 301.64
ROV less Holding Gain/Loss	\$ 3,028.36

## 2012 Railroad Cost of Capital

	Debt	Common Equity	
1) Nominal Cost	3.29%	13.40%	
2) Real Cost $((1+L1)/\text{deflator})-1$	1.43%	11.36%	
3) Market Weight	22.56%	77.44%	
4) After Tax			
a. Nominal $L1*L3$	0.74%	10.38%	11.12%
b. Real $L2*L3$	0.32%	8.80%	9.12%
5) Pre-tax (change in equity only)			
a) Nominal $L4a/(1-\text{tax rate}^*)$	0.74%	16.47%	<b>17.21%</b>
b) Real $L4b/(1-\text{tax rate}^*)$	0.32%	13.96%	14.28%
6) Holding Gain			2.93%

\*Assume 37% tax rate

**Year to Year Deflator Delta:                   1.83%**

Implicit Price Deflators for Gross Domestic Product  
[Index Numbers, 2005=100] Seasonally Adjusted  
IHS Global Insight (courtesy of NS MR&E)

Year	Quarter	Implicit Price Deflator	Rolling Four Quarter Average	Period Represented	Change vs. Prior Period	Notes
2005	1	98.784				
	2	99.444				
	3	100.467				
	4	101.305	100.000	2005		
2006	1	102.055	100.818	Q2 05 - Q1 06		
	2	102.955	101.696	Q3 05 - Q2 06		
	3	103.731	102.512	Q4 05 - Q3 06		
	4	104.206	103.237	2006	3.24%	
2007	1	105.396	104.072	Q2 06 - Q1 07	3.23%	
	2	106.116	104.862	Q3 06 - Q2 07	3.11%	
	3	106.457	105.544	Q4 06 - Q3 07	2.96%	
	4	106.956	106.231	2007	2.90%	
2008	1	107.623	106.788	Q2 07 - Q1 08	2.61%	
	2	108.282	107.330	Q3 07 - Q2 08	2.35%	
	3	109.107	107.992	Q4 07 - Q3 08	2.32%	
	4	109.247	108.565	2008	2.20%	
2009	1	109.526	109.041	Q2 08 - Q1 09	2.11%	
	2	109.318	109.300	Q3 08 - Q2 09	1.84%	
	3	109.463	109.389	Q4 08 - Q3 09	1.29%	
	4	109.820	109.532	2009	0.89%	
2010	1	110.234	109.709	Q2 09 - Q1 10	0.61%	
	2	110.686	110.051	Q3 09 - Q2 10	0.69%	
	3	111.248	110.497	Q4 09 - Q3 10	1.01%	
	4	111.838	111.002	2010	1.34%	
2011	1	112.389	111.540	Q2 10 - Q1 11	1.67%	
	2	113.109	112.146	Q3 10 - Q2 11	1.90%	
	3	113.937	112.818	Q4 10 - Q3 11	2.10%	
	4	114.041	113.369	2011	2.13%	
2012	1	114.608	113.924	Q2 11 - Q1 12	2.14%	
	2	115.050	114.409	Q3 11 - Q2 12	2.02%	
	3	115.856	114.889	Q4 11 - Q3 12	1.84%	
	4	116.276	115.448	2012	1.83%	Cost of Capital Reference
2013	1	116.699	115.970	Q2 12 - Q1 13	1.80%	
	2	117.121	116.488	Q3 12 - Q2 13	1.82%	
	3	117.617	116.928	Q4 12 - Q3 13	1.78%	Base Year
	4	118.035	117.368	2013	1.66%	
2014	1	118.511	117.821	Q2 13 - Q1 14	1.60%	
	2	118.972	118.284	Q3 13 - Q2 14	1.54%	
	3	119.424	118.735	Q4 13 - Q3 14	1.55%	
	4	119.883	119.198	2014	1.56%	Forecast Year (Exhibit 1)

## 2012 NSR R-1 Data

### R-1 INFORMATION 2012

#### Sch 755:

		Freight	Passenger
A)	Ln 7 Train Miles	76,271,904	
B)	Ln 11 Locomotive Unit Miles	173,977,897	
C)	Ln 12 Locomotive Unit Miles Trn Swtg	6,897,752	
D)	Ln 98 GTM Road Locomotives (000s)	33,553,923	
E)	Ln 115 Trn Hrs Rd Svc	3,836,213	
F)	Ln 116 Trn Swtg Hrs	667,593	
G)	(Ln 116 * 6 mph) Trn Mi Rd Trn Swtg	4,005,558	
H)	(A+G) Total Freight Train Miles	80,277,462	
I)	[(Ln 11+Ln12)/Item H] Loco Units per Train	2.25	
J)	[(Ln 115+Ln 116)*Item I] Loco Units Hours	10,147,666	
K)	Ln 117 Yard Switching Hours	2,302,548	
L)	Ln 13 Loco Unit Miles Yard Switching	13,815,288	
M)	(Ln 117*6mph) Yard Switching Miles	13,815,288	
N)	(Ln 13/Item M) Loco Units per Yard Switch	1.00	
O)	(Ln 117*Item N) Loco Unit Hours Yard Switch	2,302,548	

2012 NSR R-1 Data

NS 2012 System Car Miles L&E

R-1, Sch 755:

Line 30	1,039,266 RR L
Line 46	708,395 RR E
Line 64	1,456,881 PVT L
Line 82	1,036,856 PVT E
Line 84	0 No Payment
	<hr/> 4,241,398

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

FCS 2012

	Carloads		
Ln 98 Col (i)	Local	4,336,093 * 2 =	8,672,186
Ln 98 Col (k)	Forward	491,175 * 1 =	491,175
Ln 98 Col (m)	Received	2,196,596 * 1 =	2,196,596
Ln 98 Col (o)	Bridge	63,360 * 0 =	0
		<hr/> 7,087,224	<hr/> 11,359,957

**2012 NSR R-1 Data**

**FRINGE BENEFITS (Sch 410)**

Accounting Group		2012 Labor (000)	2012 Fringes (000)	2012 Fringe %	2011 Labor (000)	2011 Fringe (000)	2011 Fringe %
WS	Running	117,464	152,632	129.94%	119,735	147,990	123.60%
	Switching	9,102	3,998	43.92%	10,589	4,361	41.18%
	Other	32,626	22,379	68.59%	31,384	15,199	48.43%
ME	Locomotive	120,940	51,331	42.44%	119,850	52,904	44.14%
	Freight Cars	69,554	25,499	36.66%	66,641	25,757	38.65%
	Other	523	3,409	651.82%	1,315	3,611	274.60%
TRANS	Train Op	833,802	336,471	40.35%	864,892	350,038	40.47%
	Yard Op	226,132	100,662	44.51%	229,333	103,683	45.21%
	Train & Yard Op	655	945	144.27%	533	299	56.10%
GA	SPSVCOP	36,254	7,225	19.93%	34,683	6,133	17.68%
	Admin Supp	28,684	12,961	45.19%	24,199	13,747	56.81%
	Gen & Admin	8,301	3,058	36.84%	8,357	2,426	29.03%
	MWS Composite	159,192	179,009	112.45%	161,708	167,550	103.61%
	Trans Composite	1,060,589	438,078	<u>41.31%</u>			

**R-1 2012 Information**

		Investment in Equipment: Diesel Loco	
		Beg Yr	
Sch 710	Ln 1 Col (b)	Fght	2,537
	Ln 2 Col (b)	Psgr	0
	Ln 4 Col (b)	Swtg	119
	Ln 9 Col (b)	Aux	116
			<u>2,772</u>
Sch 332	Ln 31 col(d)	Depr	3.37%
(Repairs)			
Sch 415	Ln 1 Col (b)	Yd	22,800
	Ln 2 Col (b)	Rd	294,220
	Ln 5 Col (b)	Total	<u>\$317,020</u>
(Loco Fuel)			
Sch 410	Ln 409 Col (h)	Rd	1,348,336
	Ln 425 Col (h)	Yd	88,842
		Total	<u>\$1,437,178</u>
(Svc Loco)			
Sch 410	Ln 411 Col (h)		47,628
	Ln 427 Col (h)		545
			<u>\$48,173</u>

**2012 NSR R-1 Data**

**Locomotives**

	End Yr	Avg Yr
Col (J)	2,595	2,566
Col (J)	0	0
Col (J)	106	113
Col (J)	122	119
	<hr/>	<hr/>
	2,823	2,798

Labor  
7.2%  
92.8%

93.8%	65,123	Ln 408 Col (b)
6.2%	0	Ln 425 Col (b)
	<hr/>	
	\$65,123	\$1,372,055

98.9%	30,058	Ln 411 Col (b)
1.1%	578	Ln 427 Col (b)
	<hr/>	
	\$30,636	\$17,537

**CREW MATERIALS (Sch 410)**

Engine Crew Material		
	Ln 402 Col (c)	158
Train Crew Material		
	Ln 403 Col (c)	2,478
Train Inspection & Lubrication		
Wages	Ln 408 Col (b)	65,123
Materials	Ln 408 Col (c)	114

**SERVICING LOCOMOTIVES (Sch 410)**

System Labor Expense		
	Ln 411 Col (b)	30,058
System Material Expense		
	Ln 411 Col (c)	5,321
System Purchased Expense		
	Ln 411 Col (d)	9,026
System General Expense		
	Ln 411 Col (e)	12

**LOCOMOTIVE REPAIR (Sch 410)**

System Labor Expense		
	Ln 202 Col (b)	101,303
System Material Expense		
	Ln 202 Col (c)	194,296
System Purchased Expense		
	Ln 202 Col (d)	22,816
System General Expense		
	Ln 202 Col (e)	270

Suffolk, VA - Franklin, VA Milepost FD 19.2 - 37.0

**Carloads:** **203**  
**Total Revenue:** \$ **563,293**  
**Period** **10/2012 - 09/2013**

<b>STCC Description</b>	<b>Sum of Carloads</b>	<b>URCS OFF BRANCH COST</b>	<b>STCC</b>	<b>Tons/Car</b>	<b>Loaded Miles</b>	<b>On branch miles</b>	<b>off branch miles</b>	<b>Urcs Car Type</b>	<b>Description</b>
CAUSTIC SODIUM	139	\$ 3,303	2812220	99	1,186		21	1,165	15 Tank Car (<22,000 Gallons)
WOODPULP	15	\$ 1,941	2611135	55	785		21	764	3 Box Car - Equipped
FATTY ACIDS	1	\$ 4,257	2899425	75	1,727		21	1,706	15 Tank Car (<22,000 Gallons)
WOODPULP	1	\$ 2,565	2611135	65	1,021		21	1,000	3 Box Car - Equipped
WOODPULP	8	\$ 2,417	2611135	59	1,061		21	1,040	3 Box Car - Equipped
CAUSTIC SODIUM	1	\$ 3,395	2812220	98	1,228		21	1,207	15 Tank Car (<22,000 Gallons)
CAR FOR SCRAPE	3	\$ 502	3742293	1	242		21	221	5 Gondola - Equipped
STEARIC ACID	1	\$ 1,330	2899470	95	440		21	419	15 Tank Car (<22,000 Gallons)
CAUSTIC SODIUM	2	\$ 3,389	2812220	98	1,226		21	1,205	15 Tank Car (<22,000 Gallons)
SODIUM CHLORAT	3	\$ 2,370	2819924	105	826		21	805	6 Hopper - Covered
COMMON LIME	7	\$ 1,093	3274110	99	293		21	272	6 Hopper - Covered
SODIUM CHLORAT	15	\$ 2,010	2819924	108	623		21	602	6 Hopper - Covered
AMMON THIOSULPH	7	\$ 2,964	2819173	96	1,066		13	1,053	15 Tank Car (<22,000 Gallons)
	<b>203</b>	\$	<b>592,989</b>						

V31 Crew Data

201210 - 201309

Payroll Data

				B1	CO	EN	
				Gross Amt	Gross Amt	Gross Amt	Total
Total Wages	\$ 190,297	V31V1	C5 CONDUCTOR CERTIFICATION /	\$ -	\$ 1,200	\$ -	\$ 1,200
Fringe (51%)	\$ 97,052	V31V1	D7 WEEKEND/HOL DIF	\$ -	\$ -	\$ 1,071	\$ 1,071
Total	\$ 287,349	V31V1	DE DETENTION TIME	\$ -	\$ 393	\$ -	\$ 393
Count of days	245	V31V1	HW WORKING HOLIDAY	\$ -	\$ 1,243	\$ 1,279	\$ 2,522
		V31V1	MA AWAY FROM HOME TERMINA	\$ -	\$ -	\$ -	\$ -
		V31V1	OM OVERTMILES	\$ 633	\$ 35,448	\$ 39,287	\$ 75,369
		V31V1	RC REDUCED CREW	\$ 43	\$ 2,773	\$ -	\$ 2,816
		V31V1	SM STRAIGHT TIME (MILES)	\$ 799	\$ 51,040	\$ 55,088	\$ 106,926
				\$ 1,475	\$ 92,097	\$ 96,725	\$ 190,297
				\$ 752	\$ 46,969	\$ 49,330	\$ 97,052
				\$ 2,228	\$ 139,066	\$ 146,055	\$ 287,349