Suite 700

120 South Six Street

Minneapolis, MN 5540

Soo Line Corporation

To:
Mr. Pedro Ramirez
Section Chief Data Collection and Auditing Section
Office of Economics, Environmental Analysis & Administration
Surface Transportation Board
395 E Street S.W., Suite 1170
Washington, DC 20423-0001

March 06, 2018

Dear Mr. Ramirez,

We have filed our Q4, 2017 REI & CBS to the Department of Commerce on January 30th, 2018. As noted on the REI we have presented the amount related to the 'Tax Cuts and Jobs Act', commonly referred to as "U.S. tax reform", by reducing the income tax expense of the period in account 557.

The significant change under this reform is the reduction of U.S. federal statutory corporate income tax rate from 35% to 21% beginning of 2018. As a result of this the Company revalued its account 786 "Deferred income tax" balance, whereas the net effect is $470 million in the fourth quarter of 2017.

For the annual R1 filing we are requesting permission to include this non-cash tax adjustment into the 'Extraordinary item' line:

- Prior to 2017, the most recent federal tax reform was with the Tax Reform Act of 1986. This is an interval of more than three decades. Therefore we believe that this meets the criteria of being an infrequent occurrence.

- Relative to Soo Line Corporation's total income for 2017 (excluding extraordinary items), which was $683M, the reduction of the deferred income tax balance is material.

- Canadian Pacific Railway, the parent company, has provided non-GAAP disclosure that excluded the impact of the 'Tax Cuts and Jobs Act' from our normal earnings in the 2017 10K filing. Non-GAAP measurements exclude certain significant items from management assessment of operational performance "that are not considered indicative of future financial trends either by nature or by amount. Excluding these significant items from GAAP results allows for consistent understanding of the Company's consolidated financial performance when performing a multi-period assessment including the assessment of likelihood of future results." *1

*1 CP Annual Report 2017, Pages 76, 77

The adjustment is material enough that it possesses a high degree of abnormality looking at multi-year income trends. If taken into income it will skew economic calculations to the point of providing non-representative indicators of the performance of the company, and of the industry as a whole. Our preliminary calculations indicate that the Return on Investment (ROI) calculation for the year 2017 would more than double if we were to include this item into income.

We feel that looking at all these characteristics both independently, and taken holistically, clearly indicate and support the extraordinary item classification.

Our request is accompanied by the required Accountant's Letter on behalf of our auditor, Deloitte Canada.

We are seeking Board Approval before the filing deadline of March 31st, 2018.

Your attention to this matter is greatly appreciated.

Sincerely,

Mr. Tyme Wittebrood

Director, Regulatory Finance, Regulatory Economics

Deloitte.

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March 6th, 2018

Soo Line Corporation
Suite 700
120 South Six Street
Minneapolis, MN 5540

Dear Sirs/Madams:

You have informed us that you are sending a letter to the Surface Transportation Board (the "STB") dated March 6, 2018, requesting approval from the STB to include the impact of the Tax Cuts and Jobs Act signed into law on December 22, 2017 (the "Tax Act"), as an "extraordinary item" in your Quarterly Report of Revenues, Expenses, and Income – Railroads (the "RE&I report") dated December 31, 2017 (the "Company's request"). You have also informed us that General Instructions 1-2(d)7 under the Uniform System of Accounts for Railroad Companies, Title 49 CFR Part 1201, requires a letter from the independent accountants of Canadian Pacific Railway Limited ("CPRL") approving or otherwise commenting on the Company's request, and you have requested such a letter from us. Soo Line Railroad Corporation (the "Company") is a wholly owned subsidiary of CPRL. This letter is provided to you in accordance with your request.

We have audited the consolidated balance sheets of CPRL and subsidiaries as of December 31, 2017 and 2016, the related consolidated statements of income, comprehensive income, changes in shareholders' equity, and cash flows, for each of the three years in the period ended December 31, 2017 (collectively referred to as the "Financial Statements") in accordance with the standards of the Public Company Accounting Oversight Board (United States). The Financial Statements were prepared in accordance with the accounting principles generally accepted in the United States of America ("U.S. GAAP"). Our audit report to the Shareholders and Board of Directors of CPRL was dated February 16, 2018. We have not audited the Financial Statements as of any date subsequent to December 31, 2017. We have also not performed any procedures on the Company's RE&I report.

We refer you to Note 5 of the Financial Statements describing the impact of the U.S. Tax Reform. The impact was an income tax recovery of US $470 million which was accounted for as part of the consolidated income tax expense of CAD $93 million in the consolidated statements of income for the year ended December 31, 2017. Management has informed us, that prior to 2017, the most recent significant federal tax policy change in the United States was enacted as part of the Tax Reform Act of 1986.

We also refer you to Accounting Standards Update 2015-01, an amendment to the Financial Accounting Standards Board Accounting Standards Codification, effective for fiscal years beginning after December 15, 2015, which simplified the income statement presentation by eliminating the concept of extraordinary items. The Board released the new guidance as part of its simplification initiative, which, as explained in the ASU, is intended to "identify, evaluate, and improve areas of U.S. GAAP for which cost and complexity can be reduced while maintaining or improving the usefulness of the information provided to the users of financial statements." We have also noted that section General Instructions 1-2(d)(1) of the Uniform System of Accounts for Railroad Companies, Title 49 CFR Part 1201, contains reporting standards related to presenting items as extraordinary defined as:

"All items of profit and loss recognized during the year are includable in ordinary income unless evidence clearly supports their classification as extraordinary items.

Extraordinary items are characterized by both their unusual nature and infrequent occurrence taking into account the environment in which the firm operates; they must also meet the materiality standard.
Unusual means the event or transaction must possess a high degree of abnormality and be of a type clearly unrelated to, or only incidentally related to the ordinary and typical activities of the entity.
Infrequent occurrence means the event or transaction shall be of a type not reasonably expected to recur in the foreseeable future."

We have not performed any procedures on the Company's RE&I report dated December 31, 2017, and do not express an opinion, conclusion, approval, or any other form of assurance on such report, or on the Company's request, and assume no responsibility for, and disclaim any association with the Company's RE&I report dated December 31, 2017, and the Company's request. Our audit, including the working papers prepared in connection therewith, was not planned or conducted in contemplation of your request to the STB to include the impact of the U.S. Tax Reform as an extraordinary item and may not be appropriate for the STB's purposes. Therefore, items of possible interest to the STB may not have been specifically addressed. Among other things, we have not expressed an opinion or other form of assurance on individual account balances, financial amounts or financial information. Our use of professional judgment and the assessment of audit risk and materiality for the purposes of our audit means that matters may have existed that would have been assessed differently by the STB. We make no representations as to the sufficiency or appropriateness of the information in our working papers for the STB's purposes.

Our letter is intended solely for the information and use by the Management of the Company and the STB and is not intended to be or should not be used by anyone other than these specified parties or for any other purpose.

Yours truly,

Deloitte LLP

Chartered Professional Accountants