MR. MEYER: Thank you.

I'd like to touch just briefly on three operating cost issues. First, regarding cycle times. Let me say the issues I'm going to talk about, cycle times, maintenance of way costs and fuel expenses. Each of them is important in its own right, but I want to talk about them, not just for that reason, but because each illustrates a broader pattern, and that is AEPCO's systematic effort to reduce its stand-alone railroad costs below reasonable levels, by assuming infeasible, or hypothetical operations, that no real world railroad can achieve.

Cycle times. We heard talk already this morning about the String diagram model. The Board has already noted in its most recent decision that that model has repeatedly been shown; it has been proven to be unreliable as a model; AEPCO chose to continue using it here, despite those shortcomings. That model, among other defects -- among many other defects that I won't belabor, does not even attempt to identify all of the real world factors that bear on a railroad's operation, whether it be through Abo Canyon in New Mexico, or in any other condition. It ignores weather, it ignores unexpected breakdowns. It ignores events, such as animals roaming across the track, and stopping or slowing down the train.

AEPCO makes no effort to deal with all of those features. It assumes perfectly optimal operations at all times. Here, in this case, the defects in AEPCO's model are especially pronounced, because we have a substitute that is far more reliable. As Mr. Rosenberg pointed out, AEPCO has chosen to replicate the lines as they exist out in the real world, the east/west transcontinental main lines

of UP and of BNSF, and they've chosen to select for those lines all of the overhead traffic that uses them.

All of the overhead trains, all of the manifest trains. They are performing a hook and haul operation. They're picking up the train at one end and hauling it intact across their railroad to the other end. Not only is this important because it means that they aren't significantly altering the operating plant, indeed, they are forced to comply with the real world existing operating plant and service requirements.

UP and BN, as the map and Mr. Sipes show, have networks, and those networks assume operation of intermodal and other trains on very tight schedules across the network. The trains will arrive at one end of AEPCO's system, and have to be delivered to the other end. They can't be delivered late to the other end without disrupting the incumbent's operation to the west or to the east of AEPCO's spliced segment.

As a result, the best evidence in this record is the actual train performance achieved by UP

and by BNSF on the two segments that AEPCO has chosen to replicate. The difference between actual performance and AEPCO's model performance is staggering, as this slide will show. AEPCO assumes vastly faster operations, vastly more reliable operations than UP and BNSF are able to achieve in the real world, and I'll note that this data is not from the current year, it's from the prior year. It's in the record. It's not from a period when either UP or BNSF's operations were particularly congested, or otherwise effected by particular problems.

Whether or not that was the case, again, AEPCO is splicing itself into the center of two real world operations. It's not doing anything differently with these trains. It's powering them with the same locomotives; it's just hooking its locomotives on and pulling them away.

There is -- Oh, even more startling, how AEPCO achieves this performance, given that -- the one change that is going on, is that AEPCO is inserting into the route of these transcontinental trains an entirely new crew change on the UP, an entirely new

crew change -- additional new crew change -- on the BNSF, and two new interchanges, one at each end of the line. In today's world, in the real world, these trains don't stop at Vaughn, these trains don't stop at Cochise, these trains don't stop at Defiance. So the fact that AEPCO is able to achieve this underscores the unreliability and the lack of reality to AEPCO's operating plan.

The changes in AEPCO's network are trivial. The couple of local trains, which are held off the main line to let these intermodal and other trains pass, the one or two Amtrack trains a day do not explain the vast difference in transit time. It's the lack of reality, the lack of any connection to the real world, and all of the vagaries of the real world train operations that explain the flaws in AEPCO's proposal.

The same is true, I think, of the maintenance of way costing that AEPCO has performed. Unlike the defendants, AEPCO has merely assumed an amount of maintenance of way cost and then derived from that a percentage, or assumed a percentage, of

spot maintenance, and derived from that a very small day-to-day operating expense maintenance budget, and a very small maintenance staff.

The Board has rejected this approach in all of the recent cases. There is no grounding in reality for AEPCO's skeletal maintenance staff. The Defendants, by contrast, base an experience with the way these lines in the real world have to be maintained in order to meet the very high service demands that the high speed intermodal traffic, the high speed automotive trains, and all the other trains that are out there need to meet in order to get over the road and meet their schedules. The Defendants' maintenance are geared towards that, and Defendants' evidence of the maintenance staff needed to maintain the railroad, takes into account the real world conditions.

As the next slide shows, AEPCO's estimates are absurdly, unreasonably low, I would argue, and the left-hand chart shows AEPCO's total staff estimate, compared to the real world estimate for the ACE route and the railroad estimate for the ACE route in this

case.

It's particularly important to understand that the UP numbers in the real world figures do not include any yard maintenance on the segment that ACE has replicated. AEPCO is adding a new yard to that segment, which will add to the maintenance demands on the segment it operates.

The third issue -- Oh, I've -- just briefly. It was mentioned that the Buckingham branch experience, I want to touch upon, and the Canadian short lines. The fact that they are able to take advantage of cross-training on very lightly traveled segments where maintenance staff would not otherwise be occupied with maintenance needs, has no bearing on the extremely high density, 100 million gross ton railroad, that AEPCO or ACE, is proposing to operate. Totally unrepresentative experience.

The only experience in this record that bears on the real world cost of maintenance, is the Defendants' own real world cost of maintenance.

CHAIRMAN NOBER: Okay. Well, thank you.

MR. MEYER: Okay.

CHAIRMAN NOBER: Do you have more that you --

MR. MEYER: I had a quick point, if you're interested, on fuel costs.

CHAIRMAN NOBER: If you can make it quick.

MR. MEYER: Just touching on the pipeline, the pipeline scenario is, again, another indication of Plaintiff's lack of real world connection. Only on supplemental rebuttal did they propose that a pipeline might be built to Vaughn. If you've ever been to Vaughn, you'll know that it's pretty much in the middle of nowhere.

CHAIRMAN NOBER: I've been to Belen.

MR. MEYER: Vaughn is far more in the middle of nowhere than Belen. Belen is near Albuquerque, and the Albuquerque Airport, and is served by a pipeline. Vaughn is in the middle of nowhere, and there is no pipeline there, and there's no evidence in this record that anyone would build it, on what time frame they would build it, and what the cost, the real world market rate would be, charged to the railroad. This build it and they will come

hypothesis about fuel costs is -- has no precedent. AEPCO chose to locate the fueling at Vaughn, and they must bear the burden of shipping the fuel there, just as a stand-alone railroad must bear the burden of transporting ballast and other material to the stand-alone railroads route during construction and operation. It is not a variant to entry.

CHAIRMAN NOBER: Okay. I think --

MR. MEYER: Thank you.