

CHAIRMAN NOBER: Well, good morning and today's meeting will come to order. This morning we're here to consider issues related to the Board's Stand-Alone Cost methodology, which was approved in the Coal Rate Guidelines and whether that methodology could be improved. Now, after nearly 20 years of experience with the guidelines, I think it is appropriate to hear the views of interested parties on how they are working. And also, for the first time in my tenure here, we have a somewhat long break between decisions, one that is long enough to consider substantive issues and hence we decided to schedule this hearing.

Now, in the two and a half years since I became Chairman, the Board has issued an unprecedented number of SAC decisions. And rather than becoming more settled, SAC cases have become evermore contentious. Having read the submissions for this hearing, I think this recent trend is holding true.

Now, looking at the Board's SAC case rulings over the years, we find that in some cases the rates were held unreasonable and the Board prescribed a rate at or near 180 percent R/VC. In other cases we found the rate was not unreasonable. In still others, we found the maximum reasonable rate somewhere between 180 percent and the tariff rate. And finally, a couple of cases were dismissed on procedural grounds.

Now, to me, this is just the kind of spectrum of results that one would expect to find from bitterly contested litigation. And since both sides do agree on one thing, that the SAC process is seriously flawed and needs to be reformed, I can conclude that on balance we're probably doing a pretty good job in these cases.

Now, more seriously though, in recent cases individual parties have argued that the Board should change the way it handles several major issues that are common to all rate cases. These include alternatives to the percent rate reduction, the index by which we forecast future operating expenses, our handling of cross-over traffic, the allocation of revenues for traffic and several other technical issues like that.

Now, the Board expressed a reluctance to change its approach to these issues in the context of individual cases. In part, this was because it was unclear whether the suggested changes solely benefitted the individual litigant or were truly the best approaches.

Looking ahead, I have an open mind on whether these issues- on how to decide these issues and on possible solutions. And I'm also undecided in how the Board should proceed after this hearing and look forward to the party's thoughts on those subjects.

Now, in conclusion, I want to thank my fellow Commissioners for their interest in this subject and for their cooperation in scheduling this hearing. I also want to thank all of the witnesses who have come today and will testify and for their thoughtful presentations and I look forward to their comments.

Now, as for procedure, we will handle this the way we normally handle hearings. We will hear from Panels. I think almost all the speakers and Panels will have 10 minutes. We will hear from all the speakers on a Panel and then rotate with questions at five minutes per Board Member until we have exhausted them.

And so with that, again, I thank all the parties for their submissions in advance and look forward to today's hearing. And I recognize Vice Chairman Buttrey for any comments he may have.