

Surface Transportation Board Orders Rate Reductions in "Carolina Power & Light v. Norfolk Southern" Rail Rate-Complaint Case

Surface Transportation Board (Board) Chairman Roger Nober today announced that the Board has issued its decision in the maximum railroad rate case brought before the Board by the Carolina Power & Light Company (CP&L) against the Norfolk Southern Railway Company (NS). CP&L's complaint challenged NS's rates for the movement of coal from mines in West Virginia, Kentucky, and Virginia to CP&L's power plants in Mayo and Hyco, North Carolina. In its decision, the Board found that CP&L had demonstrated that the challenged rates are unreasonably high under the Board's "stand-alone cost" (SAC) test. The Board ordered NS to reduce the challenged rates and to pay reparations to CP&L.

A printed copy of Board's decision in the case entitled *Carolina Power & Light Company v. Norfolk Southern Railway Company*, STB Docket No. 42070, is available for a fee by contacting **ASAP Document Solutions, Suite 405, 1925 K Street, N.W., Washington, DC 20006, telephone (202) 293-7779**, or via asapdoc@verizon.net. The decision also is available for viewing and downloading via the Board's website at <http://www.stb.dot.gov>. A fact sheet is attached.

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Carolina Power & Light Company v. Norfolk Southern Railway Company
STB Docket No. 42070
(CP&L/NS)

The Stand-Alone Cost (SAC) test used here seeks to determine the lowest cost at which a hypothetical, efficient railroad could provide the transportation service needed by a complaining shipper. Under the SAC test, the complaining shipper designs a hypothetical railroad specifically tailored to serve its needs and the needs of other traffic it designates. The costs of building and operating such an efficient railroad are then compared to the revenues that such a system could expect to earn. If, as in this case, the shipper demonstrates that the stand-alone railroad (SARR) would earn more than necessary to cover all of its costs (including a reasonable return on investment), the shipper is entitled to rate relief.

In a recent decision in the case entitled *Duke Energy Corp. v. Norfolk S. Ry.*, STB Docket No. 42069, issued to the public on November 6, 2003 (*Duke/NS*), the Board explained in this, the first modern SAC case addressing rates for coal traffic east of the Mississippi River, that the challenged rates had recently been found not to be unreasonable because the SARR would not be able to recover all its costs. In this "Eastern" case of *CP&L/NS*, however, the geographic location of CP&L's power plants made it possible for the shipper to design a more limited, less expensive railroad with higher traffic density and thus greater economies of operation than the SARR in *Duke/NS*. This critical difference enabled CP&L to demonstrate that its SARR would be able to recover all of its costs and that the challenged rates were therefore too high.