July 1, 2016

Chairman Mario Diaz-Balart                   The Honorable David Price
Committee on Appropriations               Ranking Member
Subcommittee on Transportation, Housing   Committee on Appropriations
    and Urban Development                  Subcommittee on Transportation, Housing
U.S. House of Representatives            and Urban Development
2358-A Rayburn House Office Building      U.S. House of Representatives
Washington, DC 20515                       1015 Longworth House Office Building
                                           Washington, DC 20515

Dear Representatives Diaz-Balart and Price,

I am writing to transmit a series of reports pertaining to the implementation of the Surface Transportation Board Reauthorization Act of 2015, Public Law 114-110 ("Reauthorization Act" or "Act"). I have prepared these reports with the goal of not just meeting the requirements of the law but also improving our transparency. In addition to keeping Congress informed of our activities and our progress, I recognize that these reports are also important to our stakeholders.

The enclosed implementation status report for the month of July describes the progress made on the key initiatives of the Reauthorization Act. I also include the second quarterly reports on rate case review metrics, formal service complaints, and informal service complaints, which have been prepared pursuant to Section 6(b) of the Act and posted on the Board’s website. Finally, enclosed is the next quarterly report on unfinished regulatory proceedings pursuant to Section 15 of the Act.

Regulatory Proceedings. I am pleased to report the progress we have made this last quarter with our pending regulatory proceedings. During this most recent quarter, the Board issued decisions in the following regulatory proceedings: EP 720, Accounting and Reporting of Business Combinations, Security Investments, Comprehensive Income, Derivative Instruments and Hedging Activities; EP 724 (Sub No. 4), United States Rail Service Issues – Performance Data Reporting; EP 730, Revisions to Arbitration Procedures; EP 731, Investigations; EP 735, Revision to the Surface Transportation Board’s CFR Chapter Heading Pursuant to the Surface
Transportation Board Reauthorization Act of 2015; EP 733, Expediting Rate Cases; and EP 719
Small Entity Size Standards Under the Regulatory Flexibility Act.

With respect to EP 711, Petition for Rulemaking to Adopt Revised Competitive
Switching Rules, I put a decision into voting, and voting was recently extended to allow further
consideration of the decision. My strong hope is that the Board Members can reach a consensus
soon. Therefore, the Board has modified the targeted service date to July 2016 for our next
proposed action.

Rate Cases. The Board continues implementation of the Act’s provisions related to
improving the processing of rate reasonableness cases. In April, the Board held a series of
informal meetings with practitioners, consultants, and stakeholders who have significant
experience in litigation matters, including stand-alone cost rate cases, to share their views and
ideas for expediting rate cases. As required by Section 11 of the Reauthorization Act, on June
15, 2016, the Board instituted a proceeding to assess procedures that are available to parties in
litigation before courts to expedite such litigation, and the potential application of any such
procedures to rate cases before the Board. This advance notice of proposed rulemaking also
assesses ways to move stand-alone cost rate cases forward more expeditiously.

Board Member Communications. In June, we held another productive meeting pursuant
to the Board’s collaborative discussion authority established by the Act, addressing an ongoing
proceeding before the Board.

Thank you for your ongoing interest in our work implementing the Reauthorization Act.
I hope this information is helpful to you. Please do not hesitate to contact me with questions or
concerns about this or any other matter before the Board.

Sincerely,

Daniel R. Elliott III
Chairman
<table>
<thead>
<tr>
<th>Section of Law - Action Required</th>
<th>Description</th>
<th>Deadline</th>
<th>Status</th>
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<tbody>
<tr>
<td><strong>Sec. 6(a) - Annual Report</strong></td>
<td>Report on each initiated investigation in Annual Report</td>
<td>Annually</td>
<td>To be included in FY2016 Annual Report and thereafter</td>
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<tr>
<td><strong>Sec. 6(b) - Quarterly Rate Case Review Metrics Reports</strong></td>
<td>Post quarterly reports of rate cases pending or completed during the previous quarter</td>
<td>Third Qtr 2016</td>
<td>Second quarterly report completed 7/1/2016; posted to website; next report underway</td>
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<td><strong>Sec. 6(b) - Formal Service Complaints</strong></td>
<td>1. Establish &amp; maintain formal complaint database 2. Create report 3. Post quarterly reports on website</td>
<td>Third Qtr 2016</td>
<td>Database established, report format created, second quarterly report completed 7/1/2016; posted to website; next report underway</td>
</tr>
<tr>
<td><strong>Sec. 6(b) - Informal Service Complaints</strong></td>
<td>1. Establish &amp; maintain informal complaint database 2. Create report 3. Post to website</td>
<td>Third Qtr 2016</td>
<td>Database established, report format created, second quarterly report completed 7/1/2016; posted to website; next report underway</td>
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<tr>
<td><strong>Sec. 11 - Rate Case Expedition Proceeding</strong></td>
<td>Assess procedures to expedite litigation in courts to potentially apply to expedition of STB rate cases</td>
<td>6/15/2016</td>
<td>A series of informal meetings with stakeholders and practitioners was held to discuss ideas and proposals; an advanced notice of proposed rulemaking (EP 733, Expediting Rate Cases) was issued on 6/15/16; comments are due by 8/1/16; reply comments are due by 8/29/16</td>
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<td><strong>Sec. 11 - Maintain Simplified Rate Case Processes</strong></td>
<td>Maintain one or more simplified rate case methods for when SAC is too costly given value of the case</td>
<td>N/A</td>
<td>Maintain 3B, Simplified SAC; ongoing railroad rate regulation study and EP665 may result in additional ideas/approaches</td>
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<td><strong>Sec. 11 - Rate Review Timelines</strong></td>
<td>Implement new rate review timelines for SAC cases</td>
<td>Board deadline: ASAP</td>
<td>Final Rules issued March 9, 2016</td>
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<td><strong>Sec. 12 - Investigative Authority Rulemaking</strong></td>
<td>Issue rules on STB-initiated investigations after public notice and comment</td>
<td>12/18/2016</td>
<td>Section 5 meeting conducted to discuss proposals; NPRM issued 5/16/16; intend to issue final rules by 12/18/2016</td>
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<td><strong>Sec. 13 - Arbitration Rulemaking</strong></td>
<td>Promulgate regulations to establish voluntary and binding arbitration process for rate and practice complaints</td>
<td>12/18/2016</td>
<td>Section 5 meeting conducted to discuss proposals; NPRM issued 5/12/2016; intend to issue final rules within the third quarter of 2016</td>
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<td>Sec. 15 - Rate Case Methodology Report</td>
<td>Report to Congress on sufficiency of STB rate case methodologies and alternatives</td>
<td>12/18/2016</td>
<td>A railroad rate regulation study is ongoing and a final report is anticipated in advance of 12/18/2016</td>
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<td>Sec. 15 - Unfinished Regulatory Proceedings Quarterly Reports</td>
<td>Provide quarterly progress report to Congress on pending proceedings; first report due 60 days after enactment</td>
<td>Third Qtr 2016</td>
<td>Second quarterly report completed and submitted to Congress 7/1/2016; posted to website; next report underway</td>
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