

BEFORE THE
SURFACE TRANSPORTATION BOARD

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February 21, 2020
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Public Record

In the Matter of:

RAILROAD COST RECOVERY
PROCEDURES - PRODUCTIVITY
ADJUSTMENT

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) Ex Parte No. 290 (Sub-No. 4)
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COMMENTS OF THE WESTERN COAL TRAFFIC LEAGUE

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Its Attorneys

Dated: February 21, 2020

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In response to the decision that the Surface Transportation Board (“Board” or “STB”) served in the above-captioned proceeding on February 6, 2020, the Western Coal Traffic League (“WCTL”)¹ submits the following comments regarding the Board’s proposed calculation of railroad industry productivity for 2018 and the 2014-2018 average for use in the Rail Cost Adjustment Factor (“RCAF”) productivity adjustment.

WCTL concurs in the Board’s calculation of the input index value of 1.004 for 2018. The input index value utilizes publicly-available information, and the calculation is thus transparent.

WCTL is unaware of any information that directly undermines the accuracy of the Board’s calculation of the output index value of 1.032 for 2018. Furthermore, the

¹ WCTL is a voluntary association, whose regular membership consists entirely of shippers of coal mined west of the Mississippi River that is transported by rail. WCTL members currently ship and receive in excess of 90 million tons of coal by rail each year. WCTL’s members are: Ameren Missouri, Arizona Electric Power Cooperative, Inc., Austin Energy (City of Austin, Texas), CLECO Corporation, CPS Energy, Entergy Services, Inc., Kansas City Power & Light Company, Lower Colorado River Authority, MidAmerican Energy Company, Minnesota Power, Nebraska Public Power District, and Western Fuels Association, Inc.

1.032 ratio is within one-tenth of a percentage point of the increase in revenue ton-miles from 2017 to 2018.² That correlation is extremely close historically, recognizing that the change in ton-miles does not take into account the change in the traffic mix.

Nonetheless, the 1.032 output figure cannot be verified. The output index is based on the costed waybill sample, and the costed waybill sample is generally not available to shippers. Moreover, the workpapers that the Board makes available for its calculation show only the measured ton-mile output for each year, but not any of the constituent data or calculations. Consequently, the Board's output calculations amount to hard-coded figures taken from a "black box," as they cannot be replicated or verified.

WCTL made a similar observation regarding the 2017 data and requested access to the costed waybill sample for that purpose. The Board granted WCTL such access and also made available some of the computer code used to calculate the productivity output index.³ To date, WCTL's consultants have been unable to utilize the computer code or replicate the Board's earlier productivity calculations, but their efforts are continuing.

² 2018 revenue ton-miles as reported on Schedule 755 of the R-1 for the Class I railroads (1,729,638,173) divided by equivalent 2017 revenue ton-miles (1,674,638,254) equals 1.0328.

³ The Board was concerned was that producing the full code that would reveal the Board's masking procedures. Some code was redacted, and the redactions appear to have reduced the functionality of the remaining code. Some waybill data was also withheld.

In addition, WCTL is concerned that the waybill sample used to develop the output index may be excessively curtailed. The Board prepares a second measure of changes in railroad output in the form of a Tornqvist Index, *e.g.*, <https://www.stb.gov/stb/industry/1985-2007RailroadRateStudy.pdf>. In reviewing the 2017 productivity calculation, WCTL obtained updated Tornqvist Index output data from the Board for 2012-2017 and compared the underlying data and calculations to those for the productivity output index. That comparison showed significantly greater reduction in the waybill data used to calculate the productivity output index compared to the reduction in the waybill data used to calculate the Tornqvist Index. The gap in total revenues between the total waybill data and the productivity output data in 2012-2017 generally ranged from \$4.69 billion to \$5.59 billion, although it reached \$14.8 billion for 2013. In contrast, the gap in total revenues between the total waybill data and the Tornqvist Index data over that same period did not exceed \$8.3 million, and was below \$700,000 in three of the six years. That the difference between the two is an order of magnitude causes some concern.

In addition, the 2014-2018 average continues to reflect the impact of the use of the one-time linking factor in 2015 to account for the change of the method for accounting for ton-miles for that year. Because it was a one-time adjustment, any associated error will likely persist in the average permanently.

In sum, the productivity calculation for 2018 appears accurate based on the limited information available, but the 2014-2018 average remains potentially suspect.

Respectfully submitted,

WESTERN COAL TRAFFIC LEAGUE

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Certificate of Service

I hereby certify that today, February 21, 2020, copies of the foregoing Comments of the Western Coal Traffic League have been served on all parties of record in this proceeding in accordance with the Board's Rules of Practice.

/s/ Robert D. Rosenberg