



Surface Transportation Board
Washington, D.C. 20423-0001

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Meeting under Section 5, STB Reauthorization Act June 23, 2020

March 4, 2020

Part of
Public Record

Present: Members Begeman, Fuchs, and Oberman
Staff Nathaniel Bawcombe, William Brennan, Rachel Campbell, Anika Cooper, Scott Zimmerman, Ellen Erichsen, Amanda Gorski, Adil Gulamali, Kim Hillenbrand, Craig Keats, Paul Lowengrub, Rebecca Morrow, Lisa Novins, Valerie Quinn, Pedro Ramirez, Andrew Read, Janie Sheng

Topic: Docket No. EP 664 (Sub-No. 4), Revisions to the Board's Methodology for Determining the Railroad Industry's Cost of Capital

Summary of the Matters Discussed, Prepared by General Counsel Craig Keats:

At this meeting, staff briefed Board Members on the status of the rulemaking proceeding initiated to consider changes to how the railroads industry's cost of capital is calculated. In instituting the proceeding, the Board proposed changing from a procedure that relies on two models – the Morningstar/Ibbotson Multi-Stage Discounted Cash Flow Model and the Capital Asset Pricing Model – to one that relies on three models by adding another methodology, known as “Step MSDCF,” into the calculation. Three parties – the Association of American Railroads, the Western Coal Traffic League, and Duff & Phelps – commented on the proposal.

Staff and Board Members discussed the following issues:

1. The different models by which the cost of capital can be calculated.
2. The parties' submissions on the Board's proposed addition of the Step MSDCF to the cost of capital calculation.
3. Options for next steps.