



Surface Transportation Board
Washington, D.C. 20423

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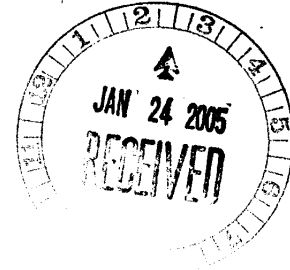
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Office of Proceedings

July 2, 2004

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Re: Arizona Public Service Co. and PacifiCorp v. The Burlington Northern and Santa Fe Railway Co., Docket No. 41185

Dear Counsel:

By July 20, 2004, the parties are asked to update Exhibit TDC-6, set forth in Arizona's rebuttal testimony, to reflect the final evidence submitted by both parties. (That exhibit identifies the differences in stand-alone cost (SAC) rates between Arizona's opening evidence and BNSF's reply evidence that assumes resourced coal begins in 2007, but does not reflect changes Arizona made in its rebuttal evidence.) The parties shall submit one joint exhibit, with electronic workpapers.

In addition, the parties are asked to provide the following information to the Board (and serve copies on each party to the proceeding) in tabular format, with workpapers:

BNSF

1. The rates BNSF would have the Board prescribe, using its final evidence, from 2003-2008 with and without the proposed capital allocation adjustment advocated by BNSF. (As BNSF has filed two alternative DCF spreadsheets, it should provide this information under both alternatives.)

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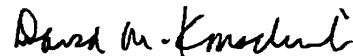
2. The same information as above, but using the inflation forecasts developed by Global Insight and used by the Board in recent SAC cases.¹
3. The same information as above, but using the Global Insight inflation forecasts and including non-McKinley tonnage in the DCF starting in 1997 (as advocated by Arizona), with the associated timing of construction of an expanded interchange at Defiance, NM.

Arizona

1. The rates Arizona would have the Board prescribe, using its final evidence, from 2003-2008 with and without the proposed capital allocation adjustment advocated by BNSF.
2. The same information, but using the inflation forecasts developed by Global Insight and used by the Board in recent SAC cases.
3. The same information, but using the Global Insight inflation forecasts and excluding non-McKinley tonnage in the DCF until McKinley shuts down (one scenario advocated by BNSF), with the associated timing of construction of an expanded interchange at Defiance, NM.

If there is a need to contact me, I can be reached at (202) 565-1651 or at konschnikd@stb.dot.gov.

Sincerely,



David M. Konschnik

Director

Office of Proceedings

¹ See Public Serv. Co. of Colorado D/B/A Xcel Energy v. The Burlington N. & S.F. Ry. Co., STB Docket No. 42057 (STB served June 8, 2004), at 34. The Global Insight methodology was also used but not identified by name in Duke Energy Corp. v. CSX Transp., Inc., STB Docket No. 42070 (STB served Feb. 4, 2004) and Duke Energy Corp. v. Norfolk S. Ry. Co., STB Docket No. 42069 (STB served Nov. 6, 2003).