

SURFACE TRANSPORTATION BOARD

DECISION

Docket No. EP 558 (Sub-No. 29)

RAILROAD COST OF CAPITAL—2025

Decided: June 10, 2026

On March 20, 2026, the Board instituted a proceeding to determine the railroad industry’s cost of capital for 2025. R.R. Cost of Capital—2025 (Mar. 2026 Decision), EP 558 (Sub-No. 29) (STB served Mar. 20, 2026). As explained in that decision, the railroad industry’s cost of capital will be determined on the basis of data for a sample of railroads. Id. at 2. The decision sets forth the criteria for determining which Class I railroads should be included in the sample base and directs those that meet the criteria to submit evidence to enable the Board to update the cost-of-capital findings in 2024. Id. (citing R.R. Cost of Capital—2024, EP 558 (Sub-No. 28) (STB served July 21, 2025) (calculating the railroad industry cost of capital for 2024)). As part of its order, the Board directed that all underlying workpapers and background material used to develop that evidence be furnished to the Board and be made available, upon request, to other participants in this proceeding, and that the data and information contained in the submitted workpapers be sufficient to allow replication of the calculations contained therein. Mar. 2026 Decision, EP 558 (Sub-No. 29), slip op. at 2.

On May 22, 2026, the included Class I railroads, through the Association of American Railroads (AAR), submitted comments and calculations. The Board’s Office of Economics has reviewed AAR’s submission and identified errors in one of the submitted workpapers. First, to calculate the 2024 market value of common equity for each railroad, AAR uses a regression that relies on the eligible Class I carriers’ weekly stock prices for each week in 2025. (AAR Comment, V.S. Ghayad 24-25.) However, the workpaper listing the weekly stock prices appears to have omitted the stock price for CSX Corporation (CSX) for the week of December 4, 2023, and inserts in its place the CSX stock price for the following week. (Id., V.S. Ghayad, workpaper “Regression_for_Beta_01_Bloomberg_2026_04_23,” cell M158 (including in cell M158 the CSX stock price that should appear in cell M159.) As a result, the CSX stock prices in the following rows of that spreadsheet are offset and do not correspond to the correct date.

In the same spreadsheet, AAR has also changed the day of week on which it samples weekly stock prices from the corresponding spreadsheets it provided in prior years. For example, in the corresponding spreadsheet for the 2024 cost of capital proceeding, AAR provided the stock prices for “Fri” “11/24/2023,” (AAR Comment, V.S. Ghayad, Workpaper “Regression_for_Beta_01_Bloomberg_2025_03_21,” Apr 14, 2025, R.R. Cost of Capital—2024, EP 558 (Sub-No. 28)), but in the current spreadsheet, the same stock price is listed as “Mon” “11/20/2023,” (AAR Comment, V.S. Ghayad, Workpaper

“Regression_for_Beta_01_Bloomberg_2026_04_23”). In its March 2026 Decision, the Board stated that comments should “us[e] the methodology followed in Railroad Cost of Capital—2024.” Mar. 2026 Decision, EP 558 (Sub-No. 29), slip op. at 2. Accordingly, to ensure current representations of a sampled period are consistent with prior year representations of that same period, AAR will be directed to sample the same day of week for 2025 as was sampled for 2024 and prior years, or explain why a change in the sampled day of week must be made.

A similar issue was discovered in the same spreadsheet with respect to the weekly yield-to-maturity figures for U.S. Treasury Bonds, which are used to calculate the risk-free rate that is part of the Capital Asset Pricing Model. (AAR Comment, V.S. Ghayad, “Regression_for_Beta_01_Bloomberg_2026_04_23,” cell T5.) For the first week in the spreadsheet, in Column T, there is an extra number, which in turn offsets the rest of the cells in that column, resulting in those cells being misaligned with their dates. In addition, the same issue with the sampled day of week identified above occurs with this data. Again, AAR should correct or explain this difference in its revised comment.

These errors materially impact the results of the regressions performed by AAR and therefore need to be corrected. AAR will thus be directed to file a revised version of its comment (including workpapers) correcting these errors by June 17, 2026.

Due to the need for revised information, statements of other interested persons will be due by July 7, 2026, and rebuttal statements by the railroads will be due by July 27, 2026.

It is ordered:

1. AAR is directed to submit a revised version of its comments (including workpapers) correcting the errors identified in this decision by June 17, 2026.
2. Statements of other interested persons are due by July 7, 2026. Rebuttal statements by the railroads are due by July 27, 2026.
3. This decision is effective on its service date.

By the Board, Anika S. Cooper, Chief Counsel, Office of Chief Counsel.