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ENTERED
Office of Chief Counsel
June 17, 2026
Part of
Public Record

June 17, 2026

Via E-Filing

Ms. Cynthia T. Brown
Chief of Case Administration
Office of Chief Counsel
Surface Transportation Board
395 E Street SW
Washington, DC 20423

Re: EP 290 (Sub-No. 5) (2026-3),
Quarterly Rail Cost Adjustment Factor

Dear Ms. Brown,

The Western Coal Traffic League (“WCTL”) writes to advise the Board regarding two matters in the Rail Cost Adjustment Factor (“RCAF”) forecast for the third quarter of 2026 that the Association of American Railroads (“AAR”) submitted on June 5, 2026.

First, the AAR’s statement at Appendix A, Page 1 (pdf page 12) that: “The national agreements call for a 3.75% general wage increase effective July 1, 2025,” should reflect an effective date of July 1, 2026.

Second, WCTL previously advised the Board that the AAR’s 1Q26 RCAF forecast departed from established practice by forecasting the Depreciation and Other components by using values for December 2025, January 2026, and February 2026 (December-February) rather than January 2026, February 2026, and March 2026 (January-March). *See* WCTL Letter dated December 23, 2025. WCTL agreed that use of the December-February values instead of the January-March values did not change the ultimate 1Q26 forecast. However, WCTL cautioned in its February 17, 2026 letter that “[a]ctual and forecast values should logically be reconciled using the identical interval” and that the fact that “the forecasted 1Q26 forecast values were the same using either interval ... may not hold for the actual 1Q26 values.”

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AAR calculates the forecast error for the 3Q26 RCAF by comparing the actual January-March values for 1Q26 to the December-February forecast values it used in its 1Q26 submission for the Depreciation and Other components. This approach reflects an improper mismatch of different time periods. As shown in the attached tables from L.E. Peabody & Associates, Inc., the forecast error and resulting RCAF-U values would remain the same if 1Q26 January-March actual values were compared to the 1Q26 January-March forecast values, as WCTL recommended. However, if the forecast error correction had compared December-February actual values to correspond with the December-February forecasted values that the AAR used for 1Q26, then the forecast error would be decreased by 0.1, and the RCAF-U would be decreased by 0.1%.

Again, WCTL does not disagree with the ultimate result, but WCTL continues to disagree with the approach taken to get there and the resulting internal inconsistencies.

Please let us know if there are questions concerning this submission.

Respectfully submitted,

A handwritten signature in dark ink, appearing to read "Robert D. Rosenberg", with a stylized flourish at the end.

Robert D. Rosenberg
Counsel for the Western Coal Traffic League

cc: Rand Gayad, Association of American Railroads
J. Frederick Miller, Jr., Esq., Association of American Railroads
Timothy D. Crowley, L.E. Peabody & Associates, Inc.
Daniel L. Fapp, L.E. Peabody & Associates, Inc.

Table 1
Calculation of 3Q26 Forecast Error
 (Based on 1Q26 Values)

Item (1)	Corrected Version					
	AAR 6/5/26 Filing 1/		Using Jan-Mar 2/		Using Dec-Feb 3/	
	Forecast (2)	Actual (3)	Forecast (4)	Actual (5)	Forecast (6)	Actual (7)
1. Labor	573.0	573.0	573.0	573.0	573.0	573.0
2. Fuel	299.8	270.4	299.8	270.4	299.8	270.4
3. Materials & Supplies	387.1	387.1	387.1	387.1	387.1	387.1
4. Equipment Rents	301.3	297.3	301.3	297.3	301.3	297.3
5. Depreciation	242.7	242.0	242.8	242.0	242.7	241.9
6. Interest	58.1	58.1	58.1	58.1	58.1	58.1
7. Other	303.5	311.3	303.9	311.3	303.5	309.0
8. Weighted Average						
a. 1980 = 100	378.3	375.6	378.4	375.6	378.3	375.1
b. 1980 = 100 (linked)	344.3	341.0	344.4	341.0	344.3	340.5
c. 4Q22 = 100	100.6	99.6	100.6	99.6	100.6	99.5
9. Forecast Error 4/	--	-1.0	--	-1.0	--	-1.1

1/ Based on AAR's 3Q26 RCAF calculations submitted to the STB on 6/5/26. The AAR's 1Q26 forecast values (column (2)) for Depreciation and Other were calculated using an average of the AAR's December 2025, January 2026, and February 2026 forecast values. The AAR's 1Q26 actual values (column (3)) for Depreciation and Other were calculated using an average of the actual January 2026, February 2026, and March 2026 values.

2/ AAR's 1Q26 forecast values (column (4)) for Depreciation and Other have been adjusted to use an average of the AAR's January 2026, February 2026, and March 2026 forecast values.

3/ AAR's 1Q26 actual values (column (7)) for Depreciation and Other have been adjusted to use an average of the actual December 2025, January 2026, and February 2026 values.

4/ Line 8.c Actual value - Line 8.c Forecast value.

Table 2
Calculation of 3Q26 Rail Cost Adjustment Factor

<u>Item</u> (1)	<u>2Q26</u> (2)	3Q26					
		<u>AAR 6/5/26 Filing</u>		<u>Corrected Version</u>			
				<u>Using Jan-Mar 2/</u>		<u>Using Dec-Feb 3/</u>	
		<u>Value</u> (3)	<u>% Change 4/</u> (4)	<u>Value</u> (5)	<u>% Change 4/</u> (6)	<u>Value</u> (7)	<u>% Change 4/</u> (8)
1. All-Inclusive Index 1/	102.2	110.6	8.2%	110.6	8.2%	110.6	8.2%
2. Preliminary RCAF 1/	1.022	1.106	8.2%	1.106	8.2%	1.106	8.2%
3. Forecast Error Adjustment 2/	-0.006	-0.010	-66.7%	-0.010	-66.7%	-0.011	-83.3%
4. RCAF (Unadjusted) 3/	1.016	1.096	7.9%	1.096	7.9%	1.095	7.8%

- 1/ Based on AAR's 3Q26 RCAF calculations submitted to the STB on 6/5/26.
2/ See Table 1 for calculation of Forecast Error Adjustment.
3/ Line 2 + Line 3.
4/ 3Q26 Value ÷ 2Q26 Value -1.