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Ms. Cynthia T. Brown
Chief, Section of Administration
Office of Proceedings
Surface Transportation Board
395 E Street, S.W.
Washington, DC 20423

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Office of Proceedings
June 3, 2019
Part of
Public Record

Re: EP 558 (Sub-No. 22), *Railroad Cost of Capital — 2018*

Dear Ms. Brown:

On April 22, 2019, the Association of American Railroads, on behalf of its freight railroad members, submitted the calculation of the railroad industry cost of capital for 2018. Following the instructions given in the Board's February 15, 2019 decision and established procedures, AAR demonstrated that the railroad industry cost of capital for 2018 is 12.22 percent.

On May 13, 2019, the Western Coal Traffic League filed a short reply statement. Though only three pages long, WCTL manages to misstate the role of the Board's cost of capital calculation and present self-serving, misleading, and unsupported cost of capital valuations utilizing mathematical sleights of hand that the AAR has previously exposed as unreliable. *See, e.g., AAR Rebuttal, EP 558 (Sub-No. 20), Railroad Cost of Capital — 2016*, at 5-8 (filed June 1, 2017) (explaining that WCTL's use of analyst report without context and support and its manipulation of the Capital Asset Pricing Model were inappropriate and misleading).

Nonetheless, WCTL concedes that AAR followed established procedures and correctly calculated the cost of capital. As such, the Board should adopt 12.22 percent as the 2018 railroad industry cost of capital

Respectfully submitted,

Timothy J. Strafford
Counsel for the Association of
American Railroads

cc: Parties of Record