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March 21, 2019
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BEFORE THE
SURFACE TRANSPORTATION BOARD

In the Matter of:

RAILROAD COST RECOVERY
PROCEDURES - PRODUCTIVITY
ADJUSTMENT

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) Ex Parte No. 290 (Sub-No. 4)
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COMMENTS OF THE WESTERN COAL TRAFFIC LEAGUE

WESTERN COAL TRAFFIC LEAGUE

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Its Attorneys

Dated: March 21, 2019

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OPENING COMMENTS OF THE WESTERN COAL TRAFFIC LEAGUE

In response to the decision that the Surface Transportation Board (“Board” or “STB”) served in the above-captioned proceeding on March 11, 2019, the Western Coal Traffic League (“WCTL”)¹ submits the following comments regarding the Board’s proposed calculation of railroad industry productivity for 2017 and the 2013-2017 average for use in the Rail Cost Adjustment Factor (“RCAF”) productivity adjustment.

WCTL concurs in the Board’s calculation of the input index value of 0.992 for 2017. The input index value utilizes publicly-available information, and the calculation is thus transparent.

¹ WCTL is a voluntary association, whose regular membership consists entirely of shippers of coal mined west of the Mississippi River that is transported by rail. WCTL members currently ship and receive in excess of 125 million tons of coal by rail each year. WCTL’s members are: Ameren Missouri, Arizona Electric Power Cooperative, Inc., Austin Energy (City of Austin, Texas), CLECO Corporation, CPS Energy, Entergy Services, Inc., Kansas City Power & Light Company, Lower Colorado River Authority, MidAmerican Energy Company, Minnesota Power, Nebraska Public Power District, Western Fuels Association, Inc., and Wisconsin Public Service Corporation.

WCTL is unaware of any information that directly undermines the accuracy of the Board's calculation of the output index value of 1.045 for 2017. However, the figure cannot be verified. The Board uses the costed waybill sample to calculate the output index, and the costed waybill sample is generally not available to shippers. Moreover, the workpapers that the Board makes available for its calculation show only the measured ton-mile output for each year, but not any of the constituent data or calculations. Consequently, the Board's output calculations amount to hard-coded figures taken from a "black box," as they cannot be replicated or verified.

Accordingly, WCTL respectfully requests that it and its economic consultant, L.E. Peabody & Associates, Inc., be given access to the costed waybill sample that the Board utilized to make its output calculation, and the Board's analyses of that data, for the past six years (2012-2017).² WCTL and its consultant will agree to any protective order and confidentiality conditions that the Board might reasonably impose. Without access to such data, parties have no ability to verify the Board's calculations.

WCTL does note that Class I revenue ton-miles as reported on Schedule 755 of the R-1s in 2017 (1,677,020,850) are 1.053 of those reported for 2016 (1,593,340,230), as opposed to the 1.045 ratio calculated by the Board. One would not expect ton-miles to be an exact proxy for the change in output, as the function of the 189-

² Access to 2012 is required to calculate the baseline or benchmark for calculating the change in output for 2013.

cell matrix is to measure change in the mix of output. However, the -0.008 difference between the two measures of ton-miles (1.053 minus 1.045) is nearly double the average long-term variance of -0.004 from 1990 through 2017. Even so, the variance is within the range experienced in past years, and much less than that experienced in 2015 (-0.031) and 2016 (0.043).

However, the 2013-2017 average continues to reflect the impact of the use of the one-time linking factor in 2015 to account for the change of the method for accounting for ton-miles in 2015. Because it was a one-time adjustment, any associated error may persist in the average.

In sum, the productivity calculation for 2017 appears accurate based on the limited information available, but the 2013-2017 average remains potentially suspect.

Respectfully submitted,

WESTERN COAL TRAFFIC LEAGUE

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Dated: March 21, 2019

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Certificate of Service

I hereby certify that today, March 21, 2019, copies of the foregoing Comments of the Western Coal Traffic League have been served on all parties of record in this proceeding in accordance with the Board's Rules of Practice.

/s/ Robert D. Rosenberg