



Surface Transportation Board
Washington, D.C. 20423-0001
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Office of the General Counsel

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Meeting under Section 5, STB Reauthorization Act August 6, 2019
May 28, 2019 Part of
Public Record

Present: Members Begeman, Fuchs, and Oberman
Staff Nathaniel Bawcombe, William Brennan, Rachel Campbell, Anika
Cooper, Allison Davis, Alex Dusenberry, Ellen Erichsen, Amanda Gorski,
Rebecca Morrow, Craig Keats, Lisa Novins, Andy Read, Valerie Quinn

Topic: Docket No. EP 558 (Sub-No. 22), Railroad Cost of Capital -- 2018

Summary of the Matters Discussed, Prepared by General Counsel Craig Keats:

At this meeting, staff briefed Board Members on the comments by Western Coal Traffic League (WCTL) regarding the annual cost-of-capital calculation for 2018 presented by the Association of American Railroads (AAR). WCTL's position is that AAR's calculation of 12.22% is inaccurate, and that the more appropriate calculation should be in the 6 - 8% range reported by certain financial institutions and railroad personnel in other contexts. WCTL expresses its concern that higher cost-of-capital calculations equate to higher freight rates.

Staff and Board Members discussed the following issues:

1. The different models by which cost of capital can be calculated.
2. The Board's cost-of-capital model.
3. The most recent AAR cost-of-capital calculation.
4. Board options.