

SURFACE TRANSPORTATION BOARD

CORRECTED DECISION\*

Docket No. EP 431 (Sub-No. 4)

REVIEW OF THE GENERAL PURPOSE COSTING SYSTEM

Digest:<sup>1</sup> In this decision, the Board grants the Association of American Railroads' petition for clarification and additional information, and makes available certain information to allow interested parties to conduct a thorough analysis of the Board's proposed changes to the Uniform Railroad Costing System. To provide commenters with sufficient time to evaluate this information and to prepare comments, the Board is extending the procedural schedule in this proceeding by 45 days.

Decided: April 24, 2013

On February 4, 2013, the Board issued a Notice of Proposed Rulemaking that proposed certain changes to its general purpose costing system, the Uniform Railroad Costing System (URCS). Specifically, the Board proposed to adjust how certain system-average unit costs are calculated in Phase II of URCS, thereby obviating the need for URCS to apply a separate make-whole adjustment in Phase III. The Board also proposed other related changes to URCS that would result in more accurate movement costs, as well as changes to two of its reporting requirements to support these proposals.

On March 4, 2013, the Association of American Railroads (AAR) filed a petition for clarification and additional information.<sup>2</sup> In its petition, AAR requests that the Board "provide

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\* This decision corrects the decision served regular release today. In that decision, the due date for comments was June 10, 2013, and the due date for reply comments was July 9, 2013. As corrected herein, comments are due June 20, 2013, and reply comments are due September 5, 2013. The decision remains unchanged in all other respects.

<sup>1</sup> The digest constitutes no part of the decision of the Board but has been prepared for the convenience of the reader. It may not be cited to or relied upon as precedent. Policy Statement on Plain Language Digests in Decisions, EP 696 (STB served Sept. 2, 2010).

<sup>2</sup> Also on March 4, 2013, the AAR, the American Chemistry Council, the National Industrial Transportation League, and the Fertilizer Institute filed a joint request to extend the due date for opening comments, which were originally due by March 21, 2013. By decision served on March 12, 2013, the due date for opening comments was extended to May 6, 2013.

additional information as to the formula that it uses to calculate the make-whole adjustment and make available an electronic version of the work papers applying the formula to generate the 2011 make-whole adjustments for all Class I carriers.” (Pet. at 3-4.) AAR also asks the Board to “release any materials underlying the proposed changes which provide details of the formulas proposed for the new calculations of the cost per switch event and the clerical cost per origination and termination event.” (Pet. at 4.)<sup>3</sup>

To allow commenters to conduct a thorough analysis of the Board’s proposed changes to URCS, the Board will make the following items available to commenters. First, the Board will make the uncoded 2011 Waybill Sample available,<sup>4</sup> under customary protective orders. See 49 C.F.R. § 1244.9(f). Second, the Board will provide to commenters the source code used to cost the Waybill Sample. Third, the Board will make available both the intermediate outputs that result from using the source code when costing the Waybill Sample, and the coded 2011 Waybill Sample, both under customary protective orders. Id. Fourth, to provide commenters with an additional method of evaluating the formula used to calculate the make-whole adjustment, we will also provide a spreadsheet of a small record set that serves as an example of how the make-whole adjustment is calculated, also under customary protective orders. Id. This small record set manually calculates the make-whole adjustments and shows that those calculations match the costs calculated using the Waybill costing process. Fifth, we will provide descriptions to changes in the calculations of certain Phase III line items to reflect the Board’s new proposals.

We are providing the changes in calculations of certain Phase III line items (item five above) as appendices to this decision. For all other items that we are making available pursuant to this decision, parties should submit a written request to the Board’s Office of Economics, and reference this proceeding. As stated, we will make the Waybill Sample disclosure and the small record set disclosure available subject to customary protective orders. We will also entertain requests that subsequent pleadings using this information be filed under seal so that confidential information is protected. If participants are permitted to file their pleadings under seal, they will also be required to file a public version with confidential information redacted. To provide

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<sup>3</sup> Additionally, by letters dated March 7, 2013, and March 22, 2013, both addressed to the Board’s Office of Economics, the National Grain and Feed Association and the Alliance for Rail Competition, respectively, request access to the confidential Waybill Sample for 2011 in order to determine and quantify the potential consequences associated with the proposed URCS changes. By letters sent today, the Office of Economics has responded separately to these requests.

<sup>4</sup> With respect to the Waybill Sample disclosure, we are redacting information that is not required to calculate costs using the make-whole adjustment, as it is currently applied, in order to protect the customer and rate information of both shippers and railroads. Specifically, the Waybill Sample that we are making available will not include revenue; origination, interchange, and termination locations; STCC codes for ordnance; or the calculated rate flag.

commenters with sufficient time to evaluate the information we are providing here and to prepare comments, we will extend the procedural schedule in this proceeding by 45 days. Accordingly, comments are now due June 20, 2013, with reply comments due September 5, 2013.

This action will not significantly affect either the quality of the human environment or the conservation of energy resources.

It is ordered:

1. The Board grants AAR's petition for clarification and additional information, and will make available the information as described in the above decision.

2. Comments are due by June 20, 2013; replies are due by September 5, 2013. Pleadings containing confidential information must be filed under seal, along with public versions with confidential information redacted.

3. This decision is effective on its service date.

By the Board, Chairman Elliott, Vice Chairman Begeman, and Commissioner Mulvey.

**Appendix A**  
**Proposed Changes to Phase III Line Calculations**

| Line | Line Description*                | Current Calculation/Value                                           | Proposed Calculation/Value                                                                       | Notes                                                                                                        |
|------|----------------------------------|---------------------------------------------------------------------|--------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------|
| L105 | E/L ratio, this car              | $\text{IF}(\# \text{Cars} \geq \text{Min\_TL}, 2, \text{E2L1xxCy})$ | E2L1xxCy                                                                                         | E-Table line number will change based on car type. E-Table column number will change based on car ownership. |
| L236 | Percent of unit train tonnage    | L235/L232                                                           | $\text{IF}(\text{L201} < \text{Min\_TL}, \text{L201}/\text{Min\_TL}, 1)$                         |                                                                                                              |
| L237 | Percent of way train tonnage     | L235/L233                                                           | $\text{IF}(\text{L201} < \text{Min\_TL}, \text{L201}/\text{Min\_TL}, 1)$                         |                                                                                                              |
| L238 | Percent of through train tonnage | L235/L234                                                           | $\text{IF}(\text{L201} < \text{Min\_TL}, \text{L201}/\text{Min\_TL}, 1)$                         |                                                                                                              |
| L257 | UC per clot-CLR-OPR              | $\text{E1L1xxC1} * \text{Efficiency Factor}$                        | E1L1xxC1                                                                                         | E-Table line number will change based on car type. E-Table value will be calculated on a per-shipment basis. |
| L258 | VC-clot CLR-OPR                  | $(\text{L251} + \text{L252}) * \text{L257}$                         | $\text{IF}((\text{L251} + \text{L252}) > 0, \# \text{Shipments} * \text{L250} * \text{L257}, 0)$ |                                                                                                              |
| L301 | SEM per industry switch event    | $\text{E2L1xxC25} * \text{Efficiency Factor}$                       | E2L1xxC25                                                                                        | E-Table line number will change based on car type. E-Table value will be calculated on a per-shipment basis. |
| L302 | SEM per interchange switch event | $\text{E2L1xxC26} * \text{Efficiency Factor}$                       | E2L1xxC26                                                                                        | E-Table line number will change based on car type. E-Table value will be calculated on a per-shipment basis. |
| L303 | SEM per I&I train switch event   | $\text{E2L1xxC29} * \text{Efficiency Factor}$                       | E2L1xxC29                                                                                        | E-Table line number will change based on car type. E-Table value will be calculated on a per-shipment basis. |
| L309 | Avg miles between I&I sw event   | 200                                                                 | 320                                                                                              |                                                                                                              |
| L311 | Total SEM-industry               | $\text{L301} * \text{L305}$                                         | $\text{IF}((\text{L251} + \text{L252}) > 0, \# \text{Shipments} * \text{L301} * \text{L304}, 0)$ |                                                                                                              |
| L312 | Total SEM-interchange            | $\text{L302} * \text{L308}$                                         | $\text{IF}(\text{L201} > 0, \text{L302} * \# \text{Shipments} * \text{L105} * \text{L307}, 0)$   |                                                                                                              |

|      |                                 |                             |                                                              |                                                                                                                     |
|------|---------------------------------|-----------------------------|--------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------|
| L313 | Total SEM-i&i train             | L303*L310                   | IF(L201>=Min_TL,0,IF(L310>0,L303*#Shipments* (L111/L309),0)) |                                                                                                                     |
| L325 | SEM per intraterminal switch    | E2L1xxC27*Efficiency Factor | E2L1xxC27                                                    | E-Table line number will change based on car type. E-Table value will be calculated on a per-shipment basis.        |
| L326 | SEM per interterminal switch    | E2L1xxC28*Efficiency Factor | E2L1xxC28                                                    | E-Table line number will change based on car type. E-Table value will be calculated on a per-shipment basis.        |
| L327 | Total SEM intraterm             | L323*L325                   | IF(L321=0,0,L304*#Shipments*L325)                            |                                                                                                                     |
| L328 | Total SEM interterm             | L324*L326                   | IF(L322=0,0,L304*#Shipments*L326)                            |                                                                                                                     |
| L419 | CM(Y)/industry switch (L-E)     | E2L1xxC17*Efficiency Factor | E2L1xxC17                                                    | E-Table line number will change based on car type. E-Table value will continue to be calculated on a per car basis. |
| L420 | CM(Y)/interchange switch (L-E)  | E2L1xxC18*Efficiency Factor | E2L1xxC18                                                    | E-Table line number will change based on car type. E-Table value will continue to be calculated on a per car basis. |
| L421 | CM(Y)/I&I train switch (L-E)    | E2L1xxC21*Efficiency Factor | E2L1xxC21                                                    | E-Table line number will change based on car type. E-Table value will continue to be calculated on a per car basis. |
| L443 | CD(Y)/industry switch (L or E)  | E2L1xxC9*Efficiency Factor  | E2L1xxC9                                                     | E-Table line number will change based on car type. E-Table value will continue to be calculated on a per car basis. |
| L444 | CD(Y)/interchange swt (L or E)  | E2L1xxC10*Efficiency Factor | E2L1xxC10                                                    | E-Table line number will change based on car type. E-Table value will continue to be calculated on a per car basis. |
| L445 | CD(Y)/I&I train switch (L or E) | E2L1xxC13*Efficiency Factor | E2L1xxC13                                                    | E-Table line number will change based on car type. E-Table value will continue to be calculated on a per car basis. |

|      |                                                   |                             |           |                                                                                                                     |
|------|---------------------------------------------------|-----------------------------|-----------|---------------------------------------------------------------------------------------------------------------------|
| L449 | CD(Y)-per loading & unloading for industry switch | E2L1xxC14*Efficiency Factor | E2L1xxC14 | E-Table line number will change based on car type. E-Table value will continue to be calculated on a per car basis. |
| L575 | Switching add-on                                  | L573*L574                   | 0         |                                                                                                                     |
| L578 | CLOT add-on                                       | L576*L577                   | 0         |                                                                                                                     |
| L581 | Interchg SWT add-on                               | L579*L580                   | 0         |                                                                                                                     |
| L584 | I&I switching add-on                              | (L582/1000)*L583            | 0         |                                                                                                                     |
| L586 | Car mile add-on                                   | (L582/1000)*L585            | 0         |                                                                                                                     |
| L587 | Total jurisdictional add-on                       | L575+L578+L581+L584+L586    | 0         |                                                                                                                     |

**NOTES:**

- The line descriptions provided appear as they are listed in the URCS output report.
- “#Cars” refers to the number of cars.
- “#Shipments” refers to the number of shipments. This figure is assumed to be 1 unless costing the Waybill Sample, in which case it is equal to the Theoretical Expansion Factor.
- “Min\_TL” refers to the minimum size of a trainload movement, which currently is set at 50 cars but is proposed to be set at 80 cars.
- “Efficiency Factor” refers to the Make-Whole Efficiency Factors, which vary by line number and shipment size. See Appendix B.

## Appendix B Make-Whole Efficiency Factors

| Line | Line Description                                  | Single-Car | Multi-Car | Trainload | Intermodal      | Notes              |
|------|---------------------------------------------------|------------|-----------|-----------|-----------------|--------------------|
| L257 | UC per clot-CLR-OPR                               | 1.0        | Function  | Function  | 1.0 or Function | See Note 1.        |
| L301 | SEM per industry switch event                     | 1.0        | 0.5       | 0.25      | 0.25            |                    |
| L302 | SEM per interchange switch event                  | 1.0        | 1.0       | 0.5       | 0.5             |                    |
| L303 | SEM per I&I switch event                          | 1.0        | 1.0       | 0         | 0 or 1.0        | See Notes 2 and 3. |
| L325 | SEM per intraterminal switch                      | 1.0        | 0.5       | 0.875     | 1.0             |                    |
| L326 | SEM per interterminal switch                      | 1.0        | 0.5       | 0.875     | 1.0             |                    |
| L419 | CM(Y)/industry switch (L-E)                       | 1.0        | 1.0       | 0.5       | 0.5             |                    |
| L420 | CM(Y)/interchange switch (L-E)                    | 1.0        | 1.0       | 0.5       | 0.5             |                    |
| L421 | CM(Y)/I&I switch (L-E)                            | 1.0        | 1.0       | 0         | 1.0             | See Note 2.        |
| L443 | CD(Y)/industry switch (L or E)                    | 1.0        | 0.5       | 0.5       | 0.5             |                    |
| L444 | CD(Y)/interchange switch (L or E)                 | 1.0        | 1.0       | 1.0       | 0.5             |                    |
| L445 | CD(Y)/I&I switch (L or E)                         | 1.0        | 1.0       | 0         | 1.0             | See Note 2.        |
| L449 | CD(Y)-per loading & unloading for industry switch | 1.0        | 0.5       | 0.5       | 0.5             |                    |

**NOTES:**

- The function for multi-car, trainload, and intermodal for L257 is:  $(0.75 + 0.25/\text{Number of Cars})$
- Note 1: The efficiency adjustment factor for intermodal is set to 1.0 if the number of intermodal flatcars is less than six. Otherwise, the function is used.
- Note 2: An implied efficiency adjustment factor for intermodal is implemented by setting the distance between I&I switches at 4,162 miles.
- Note 3: The efficiency adjustment factor for intermodal is set to 1.0 if the number of intermodal flatcars is less than six.