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SIDLEY AUSTIN BROWN & WOOD LLP

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SEATTLE

1501 K STREET, N.W.
WASHINGTON, D.C. 20005
TELEPHONE 202 736 8000
FACSIMILE 202 736 8711
www.sidley.com
FOUNDED 1866

BEIJING
HONG KONG
LONDON
SHANGHAI
SINGAPORE
TOKYO

WRITER'S DIRECT NUMBER
(202) 736-8538

WRITER'S E-MAIL ADDRESS
phemmers@sidley.com

November 4, 2002

Via Courier

Honorable Vernon A. Williams
Secretary
Surface Transportation Board
1925 K Street, N.W.
Washington, DC 20423-0001



Re: Carolina Power & Light Company v. Norfolk Southern Railway
Company, STB Docket No. 42072

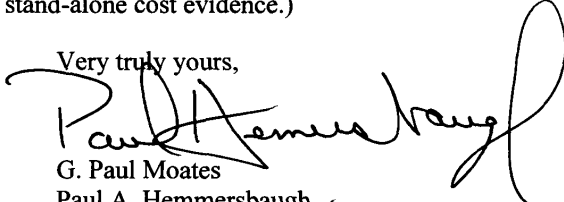
Dear Mr. Williams:

Enclosed please find the Affidavit of James W. Hamilton, Jr. ("Affidavit") to be filed in the above-referenced case.

Complainant Carolina Power & Light Company communicated the information contained in the Affidavit too late for that information to be included in NS' Reply Evidence filed on October 11, 2002, to which it relates. However, by filing the Affidavit now, NS in no way prejudices Carolina Power & Light Company, because Rebuttal Evidence in the referenced proceeding is not due until November 27, 2002.

The information contained in the enclosed Affidavit further confirms that NS' revenue forecast, proffered in its October 11, 2002 Reply filing, is conservative and in fact significantly overstates the discounted cash flow ("DCF") of the stand-alone railroad. (NS is not revising its DCF evidence to take account of this reduction in tonnage and revenues; it does, however, ask the Board to take notice of this additional evidence of CP&L's overstatement of tonnage and revenues in the Complainant's stand-alone cost evidence.)

Very truly yours,


G. Paul Moates
Paul A. Hemmersbaugh

Enclosure

Part of
Public Record

**BEFORE THE
SURFACE TRANSPORTATION BOARD**

CAROLINA POWER & LIGHT COMPANY,

Complainant,

v.

NORFOLK SOUTHERN RAILWAY COMPANY,

Defendant.

STB Docket No. 42072

SS: Roanoke, Virginia

AFFIDAVIT OF JAMES W. HAMILTON, JR.

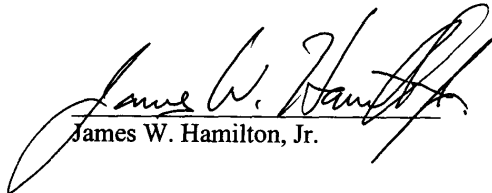
James W. Hamilton, Jr., being duly sworn, declares and avers as follows:

1. My name is James W. Hamilton, Jr. I am employed by Norfolk Southern Railway Company as the Director of Utility Coal Marketing South. My office is located at 110 Franklin Road, SE, Roanoke, Virginia 24042. I serve as one of the primary NS contacts with Carolina Power & Light Company ("CP&L") regarding NS' service and other related issues.
2. Jerry Boyd, Manager of Fuel Accounting at CP&L, telephoned me at 1:30 p.m. on Friday, October 11, 2002, the day that NS' Reply Evidence was due in this case. Mr. Boyd advised me that CP&L intended to reduce its coal shipments via NS by 180,000 tons in October 2002, and by another 250,000 tons in November and December 2002 collectively at CP&L's Roxboro (Hyco), North Carolina plant.
3. Mr. Boyd stated to me in that conversation that CP&L had been considering and planning such a volume reduction "for a while," and had now concluded that NS should be informed of CP&L's decision.
4. It was my understanding that it was not possible to make revisions to NS' Reply Evidence, (including the tonnage and volume forecasts in our stand-alone cost evidence), to reflect these reduced tonnages at CP&L's Roxboro plant in time to meet the filing deadline of 5 p.m. on October 11, 2002. The programming and running of a Discounted Cash Flow analysis alone requires several hours, and this is only one of a number of changes that would have been necessary to adjust NS' Reply Evidence to reflect this significant tonnage reduction.
5. Mr. Boyd claimed that the reason for this tonnage reduction was a breakdown of the conveyor at the Roxboro plant. He stated that CP&L had also accepted too much inventory and planned to reduce its stockpiles. Mr. Boyd further informed me that CP&L was planning to send a "force majeure" notice to its coal suppliers that day.

6. NS had not anticipated CP&L's tonnage reductions, certainly not reductions of this magnitude.
7. A total reduction of 430,000 tons in the fourth quarter of 2002 is equivalent to roughly 39 loaded trains. Using the current rate of approximately \$17/ton, or approximately \$187,000 per train, this means NS in the fourth quarter of 2002 will realize approximately \$7.3 million less from CP&L traffic than forecast by NS' projections (which were based on volumes that CP&L had previously advised NS it planned to ship).
8. To the best of my knowledge, information and belief, Mr. Boyd's telephone call of October 11, on the very afternoon of the day NS' Reply Evidence filing was due, was the first clear and express notification of tonnage reduction for the fourth quarter of 2002 that NS received from the utility.
9. At approximately 2:30 p.m. on October 11, 2002, J.W. Fox, Jr., Senior Vice President of the Coal Business Group of Norfolk Southern, received a letter via facsimile from Jerry Boyd of CP&L. Mr. Boyd advised NS in his letter of a possible reduction of approximately 250,000 tons for the fourth quarter of 2002 as a result of high inventories. A copy of that letter is attached.

Further your Affiant sayeth not:

Dated: October 29, 2002


James W. Hamilton, Jr.

Sworn to me this 29th day of October, 2002


Notary Public

**My Commission Expires
December 14, 2005**

VIA FACSIMILE and FIRST CLASS MAIL

(540) 985-6398

October 11, 2002

Mr. J. W. Fox, Jr.
Senior Vice President - Coal Business Group
Norfolk Southern Corporation
Roanoke, VA 24042-0026

Dear Mr. Fox:

Repairs to Conveyor #22 at Roxboro Plant were completed on October 9, 2002, and unloading resumed at 2000 hours. The outage began during the morning of September 30, 2002 when Conveyor #22 was removed from service with a crack in the drive pulley end hub at the point where the drive shaft attaches to the pulley. NS personnel, including the Roanoke Dispatcher and Mr. Roger Hollandsworth in the Coal Operations & Scheduling organization, were verbally notified immediately thereafter and were frequently provided status updates during the course of the outage.

At the time the outage began, six shipments (NCH70, NCH90, NCH78, NCH92, NCH79 and NCH82) were in route, two of which (NCH70, NCH90) were located at the Roanoke Yard at the time the outage occurred. Additionally, shipment NCH71 was allowed to complete loading early on October 1. Actions were taken to mitigate the impact of the outage on the NS delivery "pipeline" to Roxboro Plant, including suspension of shipments to Mayo so that compliance coal shipments could be diverted away from Roxboro. A total of 16 shipments (approximately 180,000 tons) were force majeure as a result of this outage.

On another matter, we continue to experience high inventories at our plants. As a result, we are very close to negotiating the deferral of tons out of the fourth quarter, with the delivery of these tons to be rescheduled, but probably not until 2004. We estimate that the impact to NS deliveries will be a reduction of approximately 250,000 tons.

Sincerely,

A handwritten signature in cursive script, appearing to read 'E. J. Boyd'.

E. J. Boyd
Manager - Coal Delivery
Carolina Power & Light

cc: Mr. Bill Knight, Fossil Fuels Department - CP&L
Mr. Steve Stutsman, NS Coal Marketing

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Progress Energy Service Company, LLC
P.O. Box 1551
Raleigh, NC 27602