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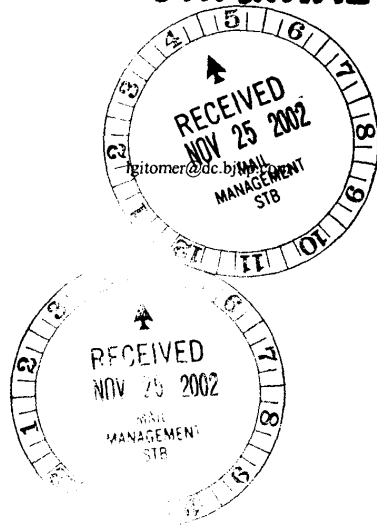
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November 25, 2002

Honorable Vernon A. Williams
Secretary
Surface Transportation Board
1925 K Street, N.W.
Room 700
Washington, D. C. 20423



RE: Finance Docket No. 34236, *Bolen-Brunson-Bell Lumber Company, Inc. v. CSX Transportation, Inc.*

Dear Secretary Williams:

Enclosed are the original and 10 copies of the Reply of CSX Transportation, Inc., and three diskettes containing the reply and verified statements. Please time and date stamp the additional copy of this letter and the Reply and return it with our messenger. Thank you for your assistance.

If you have any questions, call or email me.

Sincerely yours,

Louis E. Gitomer
Attorney for CSX Transportation, Inc.

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BEFORE THE
SURFACE TRANSPORTATION BOARD

Finance Docket No. 34236

BOLEN-BRUNSON-BELL LUMBER COMPANY, INC.

v.

CSX TRANSPORTATION, INC.

REPLY OF CSX TRANSPORTATION, INC.



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INC.

Dated: November 25, 2002

BEFORE THE
SURFACE TRANSPORTATION BOARD

Finance Docket No. 34236

BOLEN-BRUNSON-BELL LUMBER COMPANY, INC.

v.

CSX TRANSPORTATION, INC.

REPLY OF CSX TRANSPORTATION, INC.



CSX Transportation, Inc. ("CSXT") replies to the Opening Statement filed by Bolen-Brunson-Bell Lumber Company, Inc. ("BBB") on October 28, 2002. CSXT contends that BBB has not met, and cannot meet, its burden of proof that CSXT has unlawfully failed to provide common carrier service. CSXT respectfully requests the Surface Transportation Board (the "Board") to deny the relief requested by BBB and dismiss the Formal Complaint filed by BBB on July 19, 2002.

BACKGROUND

CSXT embargoed the operation over its 13.34-mile rail line portion of its Midwest Region, Nashville Division, Memphis Terminal between milepost ONI 224.00, near Memphis, TN and milepost ONI 210.66 near Cordova, TN, at the end of the line (the "Line"), all in Shelby County, TN, on March 1, 2001. The Line was embargoed after Mr. Leeroy Davidson, CSXT's Regional Engineer of Structures who is responsible for the inspection, repair and rebuilding of all bridge structures in CSXT's Midwest Region, inspected the bridges on the Line in February 2001

with his assistants, and concluded that the first two bridges on the Line (located at mileposts ONI 223.3 and ONI 218.5) were unsafe to operate and would require three to six months to repair, once the repairs had been scheduled.

Upon embargoing the Line, CSXT immediately commenced the process of abandoning the Line. CSXT sent environmental and historic notification letters as required under the Board's rules on April 9, 2001, including the appropriate environmental and historic reports. CSXT then filed a Petition for Exemption to abandon the Line on August 24, 2002 after discussing the abandonment and alternative arrangements with all of the shippers on the Line and expecting no opposition. Docket No. AB-55 (Sub-No. 590X), *CSX Transportation, Inc.—Abandonment Exemption—(Between Memphis and Cordova) in Shelby County, Tennessee*, filed August 24, 2001, pages 6 and 7.¹ BBB opposed the abandonment and the Board denied the petition for exemption. *CSX Transportation, Inc.—Abandonment Exemption—(Between Memphis and Cordova) in Shelby County, Tennessee*, STB Docket No. AB-55 (Sub-No. 590X) (STB served December 12, 2001) (the "*Sub-No. 590X Decision*").

CSXT then decided to only discontinue service over the Line and bifurcate the Line. A Petition for Exemption to discontinue service over the 12.24-mile rail line portion of its Midwest Region, Nashville Division, Memphis Terminal between milepost ONI 222.9, east of Memphis, TN and milepost ONI 210.66 near Cordova, TN, at the end of the line, all in Shelby County, TN, was filed on March 29, 2002, and was granted by the Board. *CSX Transportation, Inc.—*

¹ CSXT incorporates by reference the Petition filed in Docket No. AB-55 (Sub-No. 590X) and will cite to it as the Sub-No. 590X Petition. CSXT also incorporates by reference the Petition filed in Docket No. AB-55 (Sub-No. 615X) and will cite to it as the Sub-No. 615X Petition.

Discontinuance Exemption—(Between East of Memphis and Cordova) in Shelby County, Tennessee, STB Docket No. AB-55 (Sub-No. 615X) (STB served July 17, 2002).

In light of the opposition from BBB and the *Sub-No. 590X Decision*, CSXT continued with attempts to arrange other transportation options for BBB. See the Verified Statement of Ms. Bobbie League in Appendix 2. The effort was unsuccessful. Immediately after the talks terminated, CSXT filed an application to discontinue service over its 1.1-mile rail line portion of its Midwest Region, Nashville Division, Memphis Terminal between milepost ONI 224.0, at Memphis, TN and milepost ONI 222.9 east of Memphis, TN (the “Memphis Line”), all in Shelby County, TN. BBB protested the abandonment. Upon a full consideration of the record, the Board granted the abandonment. *CSX Transportation, Inc.—Discontinuance—at Memphis in Shelby County, Tennessee*, STB Docket No. AB-55 (Sub-No. 618) (STB served October 28, 2002) (the “*Application Decision*”). BBB filed a Petition for Stay and Reopening on November 12, 2002, to which CSXT responded on November 15, 2002. The Board served a housekeeping stay late on November 22, 2002.

Subsequent to the filing of the application to discontinue service over the Memphis Line, BBB filed the Formal Complaint in this proceeding on July 19, 2002. CSXT and BBB agreed to a procedural schedule, which was approved by the Board. *Bolen-Brunson-Bell Lumber Company, Inc. v. CSX Transportation, Inc.*, STB Finance Docket No. 34236 (STB served September 5, 2002). CSXT responded to BBB’s discovery requests on September 30, 2002.

CSXT also incorporates by reference the Application and Rebuttal filed in Docket No. AB-55 (Sub-No. 618) and will cite to the Application as Application and to the Rebuttal as Rebuttal.

BBB filed its Opening Statement on October 28, 2002. On November 14, 2002, CSXT requested an extension to file its reply, which was granted by the Board on November 15, 2002.

CSXT's POSITION

CSXT contends that it lawfully embargoed the Line on March 1, 2002, that the embargo of the Line has continued to be lawful at all times, that the embargo has been ratified by the *Application Decision*, and that therefore, BBB is not entitled to damages.

APPLICABLE STANDARDS

Under 49 U.S.C. 11101(a), railroads have a duty to provide service on reasonable request. An embargo of service is permitted as an emergency measure when for some reason a railroad is unable to perform its duty as a common carrier. Although a valid embargo temporarily excuses the duty to provide service on reasonable request, it does not permanently eliminate the common carrier obligation under 49 U.S.C. 11101(a). To be relieved of its common carrier obligation, a railroad must seek discontinuance or abandonment authorization under 49 U.S.C. 10903. Thus, a valid embargo is an appropriate defense to an action for a breach of the common carrier's duty, but an embargo cannot be used by a railroad to unilaterally abandon or discontinue service on a line at its own election.

Bar Ale, Inc. v. California Northern Railroad Co. and Southern Pacific Transportation Company, STB Finance Docket No. 32821 (STB served July 20, 2001) ("*Bar Ale*"), at 6.

The Board then stated:

What constitutes a valid embargo is a fact-specific inquiry to be determined on a case-by-case basis. Embargoes are typically valid if justified by physical conditions affecting safety such as weather and flood damage, and tunnel deterioration, or operating restrictions such as congestion. But to be valid, an embargo must at all times be reasonable. Whether an embargo is reasonable is determined by balancing a number of factors, including the length of the service cessation, the intent of the railroad, the cost of repairs, the amount of traffic on the line, and the financial condition of the carrier. Thus, for example, if the disability that prevented the carrier from performing its duty is eliminated, the carrier is financially able to remedy the disability, and there is no apparent reason why the disability should not be remedied, an embargo may become unreasonable and no

longer valid. If an embargo becomes unreasonable, the carrier is no longer excused from its duty to provide service and may be liable to shippers for damages.

Id., at 6-7.

CSXT will address the factors cited by the Board to show that the embargo was reasonable when imposed and has remained reasonable. CSXT will then address BBB's damage claim.

THE INITIAL EMBARGO WAS REASONABLE

CSXT embargoed the Line on March 1, 2001 because its bridge engineers had determined that that it was no longer safe to operate over the first two bridges on the Line located at milepost ONI 223.3 (the "Bridge") on the Memphis Line and milepost ONI 218.5 ("Bridge 2") east of the Memphis Line. Mr. Leeroy Davidson, CSXT's Regional Engineer of Structures, estimated the cost to repair the Bridge to be \$214,500 and to repair the Bridge 2 to be \$485,000.² Sub-No. 590X Petition at 5 and Davidson Verified Statement at 2. Even BBB in its Opening Statement at page 9 admits "that when first imposed, the embargo justified CSXT's failure to provide rail service."

Since the parties agree that the imposition of the embargo by CSXT was reasonable, CSXT contends that the main issue confronting the Board is whether the embargo became unreasonable at any time.

THE EMBARGO REMAINED REASONABLE AT ALL TIMES

In *Bar Ale* the Board recognized that it must weigh and balance several factors to determine whether an embargo has become unreasonable. BBB has addressed seven factors in

its Opening Statement. CSXT contends that BBB's analysis of those seven factors is wrong and therefore the embargo has remained reasonable at all times.

1. **The Bridge requires substantial repairs before CSXT can resume safe operations.**

The Bridge is approximately 80 years old and has been damaged by arson. In all reality, the Bridge has reached the end of its useful life and requires replacement to current standards. For purposes of this Proceeding, however, CSXT merely addresses the repairs that would be necessary in order to resume safe operations over the Bridge.

a. **The Estimated Cost to Repair the Bridge**

i. **BBB Approach v. CSXT Approach**

The differences between CSXT and BBB are starkest when it comes to the minimum cost to repair the Bridge to return it to safe service. Mr. Davidson points this out when he says "a bridge is only as safe as the totality of its components. You cannot have a safe bridge by only looking at components individually." Mr. Stone, on the other hand only looks at two, not all, of the components of the Bridge to form his conclusion. Additionally, Mr. Stone does not consider the additional costs created by his piecemeal approach to repairs. CSXT recommends doing the work right-just once. This is the safest and most cost-effective approach in the long run. Finally, Mr. Stone provides no engineering standard for the level of repairs that he proposes, while CSXT will repair the Bridge in conformity with its standards for a safe bridge in the 21st century, not the beginning of the 20th century. Mr. Stone wants to repair a bridge that is over 80 years to a lesser

² CSXT refers to the condition of Bridge 2 to ensure that it is recognized that the basis for the initial embargo of the Line was not based solely on the Bridge. Since BBB's complaint refers only to the Memphis Line and the Bridge, CSXT does not intend to further discuss Bridge 2.

standard than when it was built to carry loads of 30-tons per axle while today the Bridge will be carrying loads of 70- to 80-tons per axle.

BBB's expert, Mr. Harvey Stone, states that the Bridge could be repaired and operated at a cost of \$4,719 (Opening Statement at 42), but then waffles and says that maybe, at maximum, the Bridge needs \$17,753 in repairs (Opening Statement at 43).³ In stark contrast, Mr. Davidson, CSXT's Regional Engineer of Structures, who is responsible for the maintenance and the safe operation over 250,000 linear feet of bridges (including over 40,000 feet of timber bridges like the Bridge) and has been involved with railroad bridges for 32 years, estimates that CSXT will have to spend \$214,500 to put the Bridge back into safe service. CSXT respectfully requests the Board to reject the repair estimate of Mr. Stone and accept that of Mr. Davidson.

In the *Application Decision*, at 7, the Board rejected Mr. Stone's costs to repair the Bridge because the inspection conducted by Mr. Davidson had been more detailed.

Of the two inspections, we find the one conducted by CSXT's expert to be superior to the inspection conducted by BBB's expert. CSXT's inspection of the bridge components included drilling into support members to determine the internal condition. We believe this method produces the best estimate of costs needed to repair the bridge. The limited inspection performed by BBB's expert may not have accurately determined the condition of the charred timbers.... Accordingly, we accept and use CSXT's bridge repair estimate...

Mr. Stone did not conduct a new inspection of the Bridge in preparing his estimate of costs to repair the Bridge for purposes of this proceeding. Indeed, he relied on his discredited prior inspection along with his interpretations of certain portions of CSXT's internal bridge inspection reports. Opening Statement at 41. Moreover, Mr. Stone believed that he had

“identified repairs that would be required for long-term operations” and that “[l]esser repairs would be required to safely allow for short-term-operations.” Opening Statement at 41. Mr. Stone concluded that only three pilings needed to be replaced for safe operation. Opening Statement at 42. But he then said that the “Even making the maximum repairs that could be claimed as necessary by CSXT, service could have been safely restored at a total cost of \$17,753 (9 pilings at \$1,573 each + 2 caps at \$1,798 each).” Opening Statement at 42-43. These repairs “claimed as necessary by CSXT” refer to certain notations in internal bridge inspection reports only. Mr. Stone opines that CSXT need only fix the bridge components listed as “critical” within those reports and estimates the cost required to make those and only those repairs. What Mr. Stone wholly fails to recognize and address, however, is the more detailed opinion of Mr. Davidson and the totality of the Bridge structure. Although Mr. Davidson reviewed the reports that Mr. Stone is relying on, Mr. Davidson made his own inspections of the Bridge in concluding the extent of repairs necessary to be \$214,500.

Mr. Stone addresses only two Bents, while Mr. Davidson’s inspection shows problems with all of the Bents, the stringers and the bridge deck. Mr. Davidson estimates that to return the Bridge to safe operating condition will require CSXT to post 28 pilings, replace 11 caps, 120 stringers, and all flooring and curbs on the Bridge deck.

As Mr. Davidson in the attached Verified Statement says “A bridge is a single unit made up of many component parts. It is possible for one component of a bridge to fail and make the bridge unsafe. That is not usually the case, but I make this point to demonstrate that you cannot

³ Mr. Stone’s costs are based on comparisons of repairs on a Class III railroad located in a rural area, not a Class I rail line in an urban area. However, Mr. Stone does not explain the difference;

single-out only the portions of a bridge that are individually in 'Critical' condition, repair them and believe that the bridge is safe to operate. I view a bridge as the cumulative result of defects. If there are enough defects, as on the Bridge, they must all be repaired to assure that the Bridge is safe to operate. I am not willing to take the responsibility to have only the two bents reported in January of 2001 as critical repaired, when I have made a later more in depth inspection and determined that more of the Bridge needs to be repaired just to be operated safely."

The Board should reject Mr. Stone's analysis again. It is based on the same inspection which Mr. Davidson discredited and the Board rejected in the *Application Decision*.

ii. **Inconsistency of BBB Opinion**

Additionally, Mr. Stone cannot seem to make up his mind as to the repairs needed for CSXT to safely operate over the Bridge. In BBB's opposition to the Application, Mr. Stone argued that \$ 77,186 repairs were necessary. In this Complaint proceeding, however, Mr. Stone changed his mind without conducting any further inspection arguing that only \$4,179 in repairs were required but no more than a maximum of \$17,753. Mr. Davidson, on the other hand, has been consistent in the Sub-No. 590X Proceeding, the Application, and the instant proceeding that the Bridge required \$214,500 worth of repairs to safely return to service.⁴ BBB's expert is telling the Board he is not sure of the level of repair needed for safe operation. CSXT wonders if BBB is merely trying to find a repair level that falls into the cost range where the Board has deemed it reasonable for the railroad to make the repair. See *Louisiana Railcar, Inc. v. Missouri Pacific R. Co.*, 5 I.C.C.2d 542, 546-547 (1989) for a repair cost of \$18,002 and *Overbrook Farmers*

he cavalierly cites to a chart of costs differences between areas of the country.

Union—Petition for Declar. Order, 5 I.C.C.2d 316, 324 (1989) for repairs in the \$10,000 range.

BBB recognizes that the repairs required to make the Bridge safe justify the embargo and therefore, do not even address the validity of the embargo in light of the required repairs. Mr. Davidson's cost of repairs was not prepared to meet some specific cost, but to efficiently and safely repair the Bridge.

iii. **Additional Costs created by BBB's Approach**

Based on Mr. Stone's analysis, BBB is suggesting that CSXT could have performed a minimal amount of repairs in order to resume operations over the Bridge. BBB uses this opinion as a basis for suggesting to the Board that for a modest sum, CSXT could have resumed operations. Assuming for purposes of this section that CSXT would be willing to resume operations after performing only \$17,753 worth of repairs (which CSXT would not be willing to do), CSXT would be forced to give the Bridge constant attention and perform other periodic repairs at a significant cost to CSXT. As will be set out below, this approach could end up costing more in the long run. BBB should not be permitted to recover damages from CSXT on a false premise that CSXT could perform minimal repairs and then profit from operations on the Memphis Line. There is no guarantee that the repairs suggested by BBB would hold out for any set period of time to allow for safe passage. As a result, if CSXT were to follow the approach suggested by BBB, CSXT would incur additional inspection and mobilization costs. See attached Verified Statement of Leeroy Davidson in Appendix 1. BBB should not be permitted to

⁴ Mr. Davidson notes that the cost to repair the Bridge by an outside contractor is even higher at \$265,000.

ignore the fact that the Bridge is old and fire-damaged and that major repairs and/or replacement are not only inevitable, but required for short term safe operation.

First, if CSXT were to follow the BBB approach, CSXT would necessarily be required to have the Bridge inspected after each train passed over it at an approximate cost of \$600 per inspection. BBB states that it will receive 198 cars in 66 trains over a year period. As will be discussed later, BBB has presented no evidence to support this proposal. In taking the most conservative approach, CSXT assumes that BBB's number of trains per year using the Memphis Line is accurate and the most efficient operation is to drop off and pick up cars at the same time, the inspection cost for the Memphis Line based on Mr. Stone's proposed inadequate repairs would be approximately \$39,600 per year. A worst case scenario is the delivery of 198 cars in 198 trains, requiring 198 inspections at a cost of \$118,800 per year. When faced with the reality of rail operations and safety requirements, Mr. Stone's \$4,719 or \$17,753 repair estimate grows substantially.⁵

In addition, Mr. Davidson believes that repairs will be required on an ongoing basis until the Bridge is replaced or again embargoed. Aside from the repair costs, it costs CSXT \$2,000-\$4,000 every time it is required to mobilize forces and equipment to make repairs. Mr. Davidson points out that contractors charge CSXT this same mobilization cost. Even if the Bridge had to be repaired six more times during the year, mobilization costs would be another \$18,000 above

⁵ Adding the inspection costs take Mr. Stone's repair costs out of the \$10,000 to \$20,000 repair range that BBB contends is reasonable based on *Louisiana Railcar, Inc. v. Missouri Pacific R. Co.*, 5 I.C.C.2d 542, 546-547 (1989); *Overbrook Farmers Union—Petition for Declar. Order*, 5 I.C.C.2d 316, 324 (1989; and *GS Roofing Products Co. v. STB*, 143 F.3d 387, 394 (8th Cir. 1998). Perhaps that is why Mr. Stone only addressed only two bents and ignored the rest of the Bridge.

Mr. Stone's estimate. However, this is mere conjecture, in that Mr. Davidson would not allow a train to operate over the Bridge with only the repairs recommended by Mr. Stone. Mr. Davidson, understandably, is not in a position to guess whether certain repairs are enough. For the safety of CSXT's employees, CSXT's customer's goods, and CSXT's neighbors along the Bridge, Mr. Davidson must be sure that a Bridge once repaired will not fail. He is responsible, Mr. Stone is not.

b. **Time Required to Repair the Bridge**

Mr. Davidson has both the responsibility for assuring that CSXT's bridges are safe for operation and the obligation to make those repairs in instances where they are justified. Mr. Stone states that the repairs he suggests could be made in one to four days. Again this may reflect his Class III railroad background, but fails to recognize the realities faced by CSXT. Mr. Stone does not even address the repairs required by Mr. Davidson, even though they have been presented to the Board in the Application and the Sub-No. 590X Petition. Mr. Davidson begins his analysis by pointing out that bridge repair under his supervision is scheduled three years in advance and that any unscheduled repairs will need to be prioritized with the other pending repairs and then scheduled. In addition, for the repairs required to make the Bridge safe to operate over, Mr. Davidson estimates, based on experience that it will take about six months to order and receive the materials needed to make the repairs. CSXT does not maintain such material in inventory. Mr. Davidson believes that it would take about one year to schedule repairs for the Bridge (which includes the six month period to order material) and between three to six months to complete the repairs. Unlike BBB, Mr. Davidson knows the exact make-up of

the repair crews in his district, and there are only 30 people assigned to bridge repair in the Nashville District, which includes the Bridge. Mr. Davidson estimates that a crew of six will be required to make the repairs, 20% of his available work force.

BBB is incorrect when it says it would take only one to four days to repair the Bridge. Realistically, repairing the Bridge to a safe level will take between 15 and 18 months.

2. BBB has not proven that it would have received more than 50 cars in a 19 month period.

BBB contends that it will continue to receive 198 carloads per year over the Memphis Line. CSXT questions the validity of 198 carloads, BBB merely accepted CSXT's Forecast Year estimate from the Application and provides no independent evidence. CSXT's Forecast Year estimate was required by the Board's regulations at 49 C.F.R. § 1152.2(h) and .22(d)(2). BBB has not established evidence of any traffic level.

Not only has BBB not produced any evidence of the traffic level, but BBB does not pay for transportation. BBB receives lumber, but does not pay the shipping costs. Indeed, BBB goes to great lengths to explain why it never contacted CSXT to provide rail service.⁶ The actual answer is that BBB never requested rail service. BBB relies on a case involving outbound shipments, but BBB only received inbound shipments arranged by another party. *Montgomery Ward & Co. v. Northern Pac. Term. Co.*, 128 F.Supp. 475, 502 (D Ore, 1953) "As to the outbound shipments...." BBB has provided evidence of only 50 shipments between March 1, 2001 and September 30, 2002 (19 months) or about 36 carloads per year. See Opening

⁶ In response to discovery BBB admitted that "there were no specific requests for transportation." Interrogatory No. 5. In the same response BBB admitted that it had no written records of contact

Statement pages 69-76. The only evidence of the traffic volume is these specific cars referred to by BBB.⁷ The evidence of record shows only 50 cars over 19 months, not the 198 claimed without support by BBB.

3. CSXT will lose money serving BBB.

Even based on the 198 car estimate, CSXT would not earn any money on that traffic. In the Rebuttal, Ms. Preslar calculated the avoidable costs that CSXT would incur based on its actual operations. However, the Board excluded that evidence as improper rebuttal. Since this is a separate proceeding, CSXT is including Ms. Preslar's verified statements from the Application (pages 18-31) and the Rebuttal (pages 18-23). Using Ms. Preslar's Exhibit 1 from her rebuttal and reducing the On-Branch Costs by the Board's criticism of improper Freight Car costs, results in an avoidable loss of \$30,779 per year.⁸

Hence, BBB is asking the Board to require CSXT to spend \$214,500 to make the Bridge safe so that CSXT can continue to lose \$30,779 per year serving BBB. Even if the Board was to accept BBB's contention that CSXT is actually showing a profit of \$4,720 from operation of the Memphis Line, CSXT has demonstrated that this amount would be quickly eliminated by inspection and mobilization costs if CSXT were to only make the minimal repairs suggested by BBB.

with CSXT, merely verbal requests. But BBB doesn't even try to specify who made verbal requests and when they were made.

⁷ CSXT believes that these numbers may even be inflated because 23 of the cars were delivered to yards in the Memphis area other than CSXT's Leewood Yard. There is no certainty that these cars would have been switched to CSXT in the absence of the embargo, and certainly no evidence of record.

4. The Board should not give any weight to whether a Class I railroad can afford and make the necessary repairs.

BBB contends that because CSXT is a Class I railroad that earned net railway operating income of \$456,408,000 in 2001 that CSXT can easily afford to repair the Bridge. First, BBB's assumption that it will cost between \$4,719 and \$17,753 to repair the Bridge is clearly wrong. Second, BBB is actually asking the Board to adopt a policy that would prohibit a profitable Class I railroad from embargoing a rail line and requiring every Class I railroad to repair every line taken out of service through an embargo, regardless of any factor other than the size of the railroad. In the past, the Board has implicitly rejected such a prospect by adopting a balancing test. In *Bar Ale, Inc. v. California Northern R. Co. and Southern Pacific Transportation Company*, STB Finance Docket No. 32821 (STB served July 20, 2001), at 8, where the Southern Pacific Transportation Company, a Class I railroad was a co-defendant the Board concluded that repairing a bridge for \$250,000 was not justified.

It is CSXT's contention that it is not good public policy for the Board to adopt a policy requiring Class I railroads to immediately repair all embargoed track. Instead, CSXT believes that the Board should assume that a Class I railroad has the ability to pay for and make repairs, unless a railroad can demonstrate that such a repair is not justified by the expected return, and to give such factors very little, if any, weight. For Class I railroads, the Board should weigh and balance the other factors with the ability to pay and make repairs treated as neutral factors.

⁸ CSXT has reduced the avoidable loss calculated by Ms. Preslar (line 8, page 12 of the Rebuttal) by \$6,504, the difference between the freight car costs in line 5.g. of the CSXT and Board Forecast Years.

5. CSXT's intended to terminate service and arrange reasonable alternate service for BBB.

BBB is generally correct that CSXT intended to terminate rail service over the Memphis Line once it was embargoed, although CSXT was willing to consider all alternatives, including continuing to serve the Memphis Line. The Board has ratified CSXT's decision by granting the Application.⁹

However, BBB is wrong to say that CSXT has not done anything to attempt to provide continued rail service to BBB.

As the Board well knows, CSXT began the process to abandon the Memphis Line immediately upon issuing the embargo. Evidence of CSXT's efforts to immediately abandon the Memphis Line is in the environmental and historic reports CSXT served on April 9, 2001, which required time in advance of service to prepare. At all times, CSXT has either been prosecuting a petition to abandon or an application for discontinuance before the Board. The only time CSXT was not taking such actions was when it was trying to work with BBB to develop alternative transportation options. As Ms. League states, CSXT and BBB explored the idea of moving BBB's operation to Leewood Yard. Although CSXT was willing to provide substantial room in Leewood Yard for BBB's operation and to extend certain tracks as necessary for the transload operation, BBB insisted on, among other things, a covered facility on the property. BBB did not

⁹ CSXT recognizes that the Board entered a housekeeping stay on its discontinuance of service over the Line on November 22, 2002, but at this time, that has not changed the Board's decision to grant the discontinuance.

offer to assist in the financing of the new \$385,000 facility, even though BBB could have moved its entire operation to Leewood Yard and sold its existing location in a residential area.

CSXT even seriously explored selling or leasing the Memphis Line to a short line railroad. But, the Paducah and Louisville Railway, Inc. ("P&L") decided that the level of current traffic and lack of commitment by BBB would not financially warrant the acquisition and operation of the Memphis Line by a Class III railroad because of the cost to repair the Bridge weighed against the expected revenue.

CSXT notes that BBB has used the processes before the Board to extend the embargo. Had BBB not opposed the Sub-No. 590X Petition, CSXT believes that the abandonment would have been granted on or about December 12, 2001, and the embargo ended then. BBB should not be absolved of responsibility for the length of the embargo.

6. **Conclusion.**

CSXT imposed a valid embargo on the Memphis Line on March 1, 2001. Since that time, the embargo has remained reasonable. It would cost CSXT at least \$214,500 to safely repair the Bridge for operations and any lesser expenditure would not guarantee the safety of the Bridge. BBB has produced no evidence to show that it would have received more than about 36 cars per year. CSXT has shown that it would lose \$30,779 if it were required to repair the Bridge, excluding the costs of repair and the forgone return on investment in the Bridge.

BBB IS NOT ENTITLED TO DAMAGES AND HAS NOT JUSTIFIED ANY DAMAGES

CSXT contends that the embargo is and remains valid, and that therefore, BBB is not entitled to any damages since CSXT has not violated 49 U.S.C. § 11101.

If, however, the Board concludes that CSXT's embargo became unreasonable at some time, CSXT urges the Board to find that BBB has not demonstrated any harm. First, BBB has not requested rail service from CSXT, a prerequisite to a claim of failure to provide rail service. Second, BBB has alternate truck and rail-truck service available. In 2000 BBB received 23 percent of its forest products by truck. Opening Statement at 61.

Further, if the Board finds that CSXT has failed to fulfill its common carrier obligation to BBB, which has had no relation with CSXT other than a receiver as directed by the party paying the freight, CSXT contends that the Board should commence the period for calculating damages on September 1, 2002, the end of the 18 month period that Mr. Davidson convincingly testifies is necessary to make repairs, and ending on the effective date of the Board's decision granting the Application.

CSXT began the abandonment process immediately upon issuing the embargo. It is not reasonable to have expected CSXT to order the material to repair the Bridge until the Sub-No. 590X Petition was denied on December 12, 2001. That is the earliest time that it would have been reasonable for CSXT to order the unique materials for the Bridge repair. The materials still would have required a six month delivery period. Repairs would have required at least three months. If CSXT gave repair of the Bridge a high priority and could have scheduled a crew to be available to begin work on the Bridge when the materials arrived, or arranged for a contractor to perform the work, the repairs most likely would not have been begun until July 1, 2002, and not completed until September 1, 2002.

As explained in the two preceding paragraphs, the embargo was reasonable until September 1, 2002, because the repairs necessary to make the Bridge safe could not have been made before then.

With regard to traffic that BBB previously transloaded, BBB claims damages of \$500 per carload because that is what it claimed it earned from the consignees who used BBB as a convenient unloading and storage facility. There are two fatal flaws with BBB's claim. First, the \$500 per car gross revenue earned by BBB is also claimed by BBB as net revenue. BBB does not identify any costs incurred in its reload operations, even though it states that it used a fork lift, fuel, and BBB employees to perform the unloading. As the Board well knows, use of equipment, fuel and labor is not free and any calculation of losses must be the net loss, not the gross income lost. In addition, such losses cannot be speculative, but must be supported by some type of agreement, which BBB has not provided. *GS Roofing Products v. Surface Transp. Bd.*, 262 F.3d 767, 778 (2001). BBB has the burden of proof and has not provided the Board with any evidence of net losses. Therefore, CSXT urges the Board to find that if CSXT has any liability, that BBB has not produced evidence of its net losses. Second, it appears to CSXT that the reload traffic is highly competitive. If all it takes is a storage facility to earn \$500 per carload, then BBB can expect the consignees of the shipments that it handles as a convenience to them to readily find an alternative to BBB. Such use of competitive options will result in no harm to the actual consignors and consignees whose traffic moves over the Memphis Line.

BBB also did not do anything to mitigate damages, if any. BBB steadfastly refused to participate in the options that CSXT presented it to generate additional traffic or relocate. BBB

did not offer to contribute to a new facility that would have allowed it to continue earning its claimed, but unjustified, \$100,000 profit per year. Indeed, BBB's refusal to protect such a profit level leads CSXT to further believe that the profit claimed but unproven by BBB is not realistic.

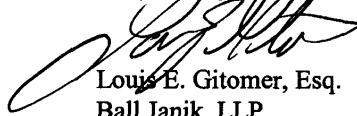
There is no reason to continue this proceeding to establish damages for BBB. First, BBB is entitled to no damages for all of the reasons discussed above. Second, the time period for calculating damages is finite. It ends upon the effective date of the discontinuance approved in the Application Proceeding, which, CSXT is confident the Board will resolve well in advance of this proceeding.

CONCLUSION

CSXT respectfully requests the Board to find that the embargo of the Memphis Line has at all times been lawful and dismiss the complaint of BBB. CSXT urges the Board to weigh and balance the cost of repairs needed for safe operation¹⁰ of the Bridge, the time needed to make those repairs, CSXT's prospects for losing money and not earning a return if it had to repair the Bridge, the proven level of traffic over the Memphis Line, and BBB's alternative transportation. Most importantly, CSXT urges the Board to recognize the importance of assuring that if a bridge is going to be required to be repaired that it be repaired to a level that ensures safe operation.

Natalie S. Rosenberg, Esq.
CSX Transportation, Inc.
500 Water Street
Jacksonville, FL 32202
(904) 359-1253

Respectfully submitted,



Louis E. Gitomer, Esq.
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(202) 638-3307

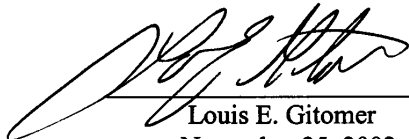
Attorneys for: CSX TRANSPORTATION,
INC.

Dated: November 25, 2002

¹⁰ Because a Bridge is involved here, CSXT cannot overemphasize the need for the Board to look at the railroad's actual experience in repairing bridges to make them safe to operate over. Unlike a line of railroad on solid ground, the failure of a bridge can have catastrophic consequences. That is why Mr. Davidson is so adamant in his demands for repairs to make the Bridge safe, he does not want preventable injuries or casualties on his conscience.

CERTIFICATE OF SERVICE

I hereby certify that I have caused the foregoing document to be served upon counsel for
BBB, Inc., by express mail.



Louis E. Gitomer
November 25, 2002

APPENDIX 1

VERIFIED STATEMENT
OF
LEEROY DAVIDSON

My name is LeeRoy Davidson and I am Regional Engineer of Structures for CSX Transportation, Inc. ("CSXT"), with offices located at 11429 Bluegrass Parkway, Louisville, Kentucky. My duties include inspection, repair and replacement of all railroad structures on the Midwest Region. I began my railroad career in 1970 as a bridge repairman, and was promoted to Assistant Bridge Supervisor in 1972 and Bridge Supervisor in 1980 for the former Louisville and Nashville Railroad Company. Since 1981, I have been employed by CSXT as Assistant Bridge Supervisor, Bridge Supervisor, General Bridge Supervisor, Engineer B&B, Engineer of Production, Assistant Division Engineer and Regional Engineer of Structures. I have been involved with railroad bridge maintenance for 32 years and have worked on thousands of bridges of this type. At this time, I am presently in charge of over 250,000 linear feet of bridges, including forty-five thousand linear feet of timber bridges. I am tasked with ensuring that the CSXT employees traversing the bridges can do so safely. I take this job very seriously.

I have extensively reviewed the Opening Statement filed by Bolen-Brunson-Bell Lumber Company, Inc. ("BBB") on October 28, 2002 and the Verified Statement of Mr. Harvey H. Stone, which was verified on October 16, 2002, in STB Finance Docket No. 34236, *Bolen-Brunson-Bell Lumber Company, Inc. v. CSX Transportation, Inc.* The purpose of this statement is to respond to the Opening Statement and in particular Mr. Stone regarding the timber bridge located at Milepost ONI 223.3 (the "Bridge").

I submitted detailed opening and rebuttal verified statements on behalf of CSXT in STB Docket No. AB-55 (Sub-No. 618), *CSX Transportation, Inc.—Discontinuance—at Memphis, in*

Shelby County, TN (the “*Application Proceeding*”) wherein I explained that the line was embargoed on March 1, 2001 due to unsafe Bridge conditions. My opening and rebuttal statements from the *Application Proceeding* are attached in Exhibit A. They are included to provide additional support for this statement and to demonstrate the consistency of my position. I also explained that it would cost \$214,500.00 to make the Bridge safe for railroad operations. It would cost \$360,000.00 to replace the Bridge. This Bridge has sustained major fire damage as a result of arson. The decay level of the Bridge is approximately 80% in terms of pilings, stringers, flooring, and curbs with several pilings and stringers failing.

I feel that my experience and method of bridge inspection have been validated by the Board when it said “Of the two inspections, we find the one conducted by CSXT’s expert to be superior to the inspection conducted by BBB’s expert. CSXT’s inspection of the bridge components included drilling into support members to determine the internal condition. We believe this method produces the best estimate of costs needed to repair the bridge. The limited inspection performed by BBB’s expert may not have accurately determined the condition of the charred timbers.... Accordingly, we accept and use CSXT’s bridge repair estimate...” *CSX Transportation, Inc.—Discontinuance—at Memphis. In Shelby County, TN*, STB Docket No. AB-55 (Sub-No. 618) (STB served October 28, 2002), at 7. In this proceeding, I note that my analysis and that of Mr. Stone are based on the same inspections used in the *Application Proceeding*. Instead of relying on his own inspection to justify the costs to put the Bridge back into safe service, Mr. Stone attempts to use CSXT’s inspection reports, which he misinterprets.

I. Inspection Reports

In Appendix 1 to BBB’s Opening Statement in this proceeding, Mr. Stone questions CSXT’s decision to remove the Bridge from service even though CSXT’s Bridge inspection

reports relating to the Bridge do not contain certain internal codes or terms of art. In response to this issue, I have two general comments and several specific comments relating to the inspections themselves. My first general comment is that CSXT prepares these reports for internal use only to advise me whether there are bridges that must be closely inspected to decide whether they are safe for continued operations. The reports are not intended to aid in justifying CSXT's decisions to outside parties. They reflect individual judgments based on experience. Different inspectors could inspect a structure on the same day and end up with different looking reports.

Secondly and more important, is the fact that CSXT makes safety a priority. If I approve the continued use of a bridge or similar structure, I am essentially saying to our employees and upper management that the structure is safe for our crews to traverse. I cannot say this with regard to the Bridge irrespective of the entries on various bridge inspection reports. I did use the inspection reports to decide that I needed to inspect the Bridge. I went to the Bridge on several occasions and after inspecting it, decided that it was not safe to continue to operate over the Bridge without substantial repairs based on my 32 years of Class I railroad bridge experience. Certainly, I may be more conservative than Mr. Stone in my assessment of the Bridge capacity but that is because I am responsible for safety where Mr. Stone is only responsible for giving a theoretical opinion that is contrary to mine. Mr. Stone's opinion in this proceeding was based on reviewing CSXT's Bridge inspection documents, while mine was based on the documents and an in-depth examination of the Bridge.

On or about January 9, 2001, M.L. Smith, Assistant Regional Engineer of Structures, inspected the Bridge. Mr. Stone makes much of the fact that Mr. Smith did not label any individual Bridge component as a "Code D" which generally requires that a slow order be

instituted or the Bridge taken out of service. What Mr. Stone fails to mention is that Mr. Smith stated in his inspection report that "numerous piles have heavy decay at groundline-will need to be posted soon...we need to schedule this bridge for rebuild." Although Mr. Smith did not utilize the most critical code entry, Mr. Smith clearly noted that the Bridge needed significant work in January of 2001 and would need to be rebuilt. Mr. Smith also reached out to me after performing this inspection. Mr. Smith expressed concern over the condition of the Bridge and asked that I accompany him to do a more detailed inspection. Although there is no written report to reflect this February 2001 inspection, we performed certain drilling tests and decided that the Bridge was not safe to operate over and made the decision to take it out of service to ensure employee safety.

In June, 2002, a Bridge Inspector inspected the Bridge once again and reported details related to its present condition to my office. The Bridge was inspected by following the industry standards for bridge inspections as well as the standards outlined in CSXT Fundamentals of Railroad Bridge Inspection (a copy of this document was filed in the *Application Proceeding*, Application, Volume III pages 1-57, and is incorporated herein by reference). The techniques employed in the inspection of the bridges included the Pick Test, visual inspection, sounding and drilling. The inspector filled out a report in a different format from the report described above. The report is attached in Exhibit B.

Mr. Stone notes that the report only denotes Bents No. 3 and 4 as "critical" as defined by CSXT to mean a defective condition requiring immediate repair or removal from service for safe operation. Mr. Stone suggests that CSXT could have fixed only the Bents labeled "critical" and ignored all of the other bents labeled "bad" with numerous reject piles. Mr. Stone goes on to conclude that the cost of maximum repairs to the critical bents could not have exceeded

\$17,753.00 and therefore, that CSXT should have been able to "safely" restore rail service to BBB at a maximum cost of \$17,753.00. Such an analysis shows that Mr. Stone is not interested in repairing the Bridge for safe operation. A bridge is a single unit made up of many component parts. It is possible for one component of a bridge to fail and make the bridge unsafe. That is not usually the case, but I make this point to demonstrate that you cannot single-out only the portions of a bridge that are individually in "Critical" condition, repair them and believe that the bridge is safe to operate. For purposes of evaluating the repairs needed to make a bridge safe for operations, I view a bridge as the cumulative result of defects. If there are enough defects, as on the Bridge, they must all be repaired to assure that the Bridge is safe to operate. I am not willing to take the responsibility to have only the two bents reported in January of 2001 as critical repaired, when I have made a later more in depth inspection and determined that more of the Bridge needs to be repaired just to be operated safely. I am not willing to put CSXT's employees, assets, customers' goods, or neighbors at risk by fixing only the bare minimum when I know that the cumulative effect of the other defects in the Bridge make continue to make it unsafe to operate. I am also not willing to take the risk, as Mr. Stone apparently is, of guessing which bridge components must be repaired in order to make the Bridge safe to operate over. The Bridge is over 80 years old. I'm sure that if we were to make the repairs postulated by Mr. Stone, that as those repairs were made, that more and more defective timber would be uncovered so that we would have to start and stop repairs while more material was shipped to the Bridge. As I explain later, this will delay repairs, increase costs and be a very inefficient way of operating.

Mr. Stone's proposal also demonstrates his lack of familiarity with the way Class I railroads maintain their property in terms of safety and resource allocation. I stand by my earlier

assessment that the amount of repairs required to safely restore rail service would be approximately \$214,500.00.

II. Mr. Stone's Repairs.

Mr. Stone recommends repairing only nine piles and two caps at most, but believes that the Bridge can be safely operated by repairing three pilings, contrary to his standard of four good piles and a good cap per bent. I find it most egregious that Mr. Stone provided no accepted authority as the basis for what he claims to be safe repairs. In suggesting repairs, Mr. Stone addressed only two out of the 11 bents in the Bridge, and none of the other Bridge components. The caps on all 11 Bents require repair. In addition, to have four good pilings per bent, a standard that I do not accept for the Bridge, Bent 1 requires repair of two pilings, Bent 2 requires repair of one piling, Bent 3 requires repair of three pilings, Bent 5 requires repair of one piling, Bent 6 requires repair of one piling, and Bent 11 requires repair of two pilings, a total of 10 pilings. In addition, Mr. Stone makes no allowance for repairing other rejected or decayed piles. As I have said, a bridge is only as safe as the totality of its components. You cannot have a safe bridge by only looking at components individually.

I believe, that in addition to the 11 caps needed, that 28 pilings, 120 stringers, and all flooring and curbs are required to be replaced. Mr. Stone ignores these items, even though they must be repaired in order for the Bridge to be safe for operations.

I find Mr. Stone's analysis unacceptable because it is based only on review of CSXT's inspection reports, relies on no engineering manual as the standard for repair, is internally inconsistent, and addresses only two bents while ignoring the rest of the Bridge structure. I am also appalled that Mr. Stone does not believe that a bridge that is over 80 years old can continue

to deteriorate without rail traffic moving over it. I find Mr. Stone's proposed repairs unsatisfactory to return the Bridge to safe operating condition.

III. Cost of Repairs

Mr. Stone has opined as to the absolute minimum repairs he believes are necessary for a train to utilize the Bridge. I disagree with him. This is not the repair standard followed by CSXT to ensure safe operations. Mr. Stone has basically suggested a "patch-job" that would create the need for constant inspection and maintenance for the foreseeable future until such time as the Bridge is replaced, and most importantly not guarantee safe operation over the Bridge.

Even if Mr. Stone's repairs resulted in safe operation of a couple of trains, which I do not believe it would, and appears to be cheaper in the short term, Mr. Stone's approach is neither cost effective nor safe. To avoid the need to make frequent repairs, CSXT would marshal its forces and repair the Bridge once so that it would certainly be safe to operate over, and may even be functional for ten years without the need to perform further periodic work. Therefore, my estimate of costs includes all costs necessary to ensure safe operation and one time repair.

This estimate includes the cost to post 28 pilings, replace 11 caps, 120 stringers, and all flooring and curbs. With regard to the pilings, a large number of the piles are very small in diameter. Because of the decay and fire damage to the small pilings, the Bridge is not safe for rail traffic. The cost to post 28 pilings is estimated to be \$56,000.00. The term "post" a piling means cutting out the decayed portion of the piling and patching it. Once a piling has been "posted," it loses 40% of its capacity. In this case, 28 pilings requiring posting. The total cost to replace 11 caps is estimated to be \$33,000.00. The cost to replace 120 stringers is estimated to be \$42,600.00. The cost to replace the flooring on the Bridge is estimated to be \$21,600.00. The cost to replace 15 curbs is estimated to be \$4,875.00. Finally, the cost to replace the bracing is

estimated to be \$2,900.00. The estimated cost of miscellaneous hardware is \$7,700.00.

Miscellaneous hardware includes but is not limited to curb bolts, drift pins, bolt spikes, washers, pile pads, and back wall timbers. Further, the cost of necessary rental equipment to repair the Bridge is estimated to be \$45,825.00. Such rental equipment includes but is not limited to a crane and rigging, man lifts, generators, drills, air compressors and saws. Below is a detailed unit cost breakdown of the estimated cost to repair the Bridge.

Work	Material Unit Cost	Labor Unit Cost	Total
Post 28 Pilings	\$ 500.00	\$1,500.00	\$56,000.00
Replace 11 Caps	\$ 600.00	\$2,400.00	\$33,000.00
Replace 120 Strings.	\$ 230.00	\$ 125.00	\$42,600.00
Replace Flooring	\$ 60.00	\$ 60.00	\$21,600.00
Replace 15 Curbs	\$ 225.00	\$ 100.00	\$ 4,875.00
Replace Bracing	\$1,400.00	\$1,500.00	\$ 2,900.00
Misc. Hardware	-----	-----	\$ 7,700.00
Rental Equipment			\$45,825.00
			\$214,500.00

These are the actual costs or close approximations of the actual costs that CSXT would incur in repairing the Bridge. Mr. Stone has again used costs for repairs made by a Class III railroad, which do not apply to CSXT.

Certainly, CSXT could elect to simply perform the most critical work on Bents 3 and 4 and take the risk that one train or several trains could safely operate over the Bridge. In addition, Mr. Stone either ignores or fails to understand the additional inefficiency and costs that would result. If CSXT were to employ this approach and only perform the most minimal of repairs, CSXT would need to inspect the Bridge after each time a train crossed it. According to BBB's analysis, this would be at least 66 times per year (apparently BBB has assumed that each rail delivery will consist of three cars), and possibly 198 times per year. Typically, CSXT schedules bridge inspections once per year. The inspectors responsible for this territory are primarily based in Nashville. Each inspection would require an inspector to spend one day driving from Nashville, one day inspecting the Bridge and one day returning to Nashville. With

expenses, this costs approximately \$600.00 per inspection of the Bridge, absent the repairs that I recommend. Sixty-six inspections per year would cost \$39,600 and 198 inspections would cost \$118,000, costs that Mr. Stone does not even recognize or account for and which would be avoided by making the repairs that I recommend to put the Bridge back into service and keep it in service. Another result of making patchwork repairs will be the imposition of additional embargoes while unsafe conditions on the Bridge are constantly being discovered and repaired

In addition to the extra inspection time and cost, the need to make frequent repairs would necessarily increase the cost of repairs. It is more economical to perform all reasonably necessary repairs at once because it becomes very expensive just to mobilize the equipment and manpower. I estimate that every time we would need to perform "patch" repairs to the Bridge, that it would cost between \$2,000.00 and \$4,000.00 just to get the equipment and employees to the site. Outside contractors also charge CSXT for mobilization costs. See Exhibit C. The cost of labor and materials would be in addition to this amount. This is an approximation based on my experience. As with the inspection costs, it would not be cost-effective to continually pay this mobilization cost. Also, it is not realistic to keep pulling employees from other bridge work on likely heavier traveled lines to support doing the bare minimum of repairs. It may make BBB's case seem more realistic to suggest such a dearth of repairs but even BBB admits that more significant repairs are required for the continuing viability of the structure. It would cost much more in the long-run to do as BBB has suggested when you consider the extra inspection and mobilization costs.

Exhibit C contains a cost estimate prepared by Osmose, Inc. of \$265,000 to return the Bridge to safe operating condition, an estimate even higher than that of CSXT. CSXT does use Osmose, Inc.'s services for bridge repair.

IV. Time to Complete Repairs

Mr. Stone further opines that the \$17,753.00 repairs he suggested could be completed in a maximum of 4 days. This estimate assumes that CSXT has idle employees waiting around for the Bridge to need work and that these employees have anticipated ahead of time what materials might be needed. I can assure you this is not the case in a region where we have only 65 people available to do this type of work and over 45,000 feet of bridges that we are responsible for. Even to make the most minimal repairs, the work has to be scheduled ahead of time. If the work is on an emergency basis and is not scheduled ahead of time, employees are necessarily pulled from other jobs. Unscheduled "emergencies" happen frequently, however, so there is generally a longer wait for less utilized bridges such as the Bridge. Even if the manpower is available, it can take six months on average for timber materials to be ordered and delivered. Four days would be unheard of even for the minor repairs suggested for this Bridge on a lightly traveled line.

As the head of bridges for the Midwest Region, I have a total of 65 employees that perform this type of work on bridges (the additional CSXT bridge employees mentioned in discovery are assigned to capital projects and would not be available to repair the Bridge). Thirty-five of these employees are assigned to the Louisville Division while the other 30 are assigned to the Nashville Division. The Bridge is in the Nashville Division. Generally, mainline bridge repair and rehabilitation work is scheduled on three-year cycles. If CSXT were to perform the work deemed necessary by CSXT to make the Bridge safe (\$214,500.00 in repairs), it would take at least six months to receive the necessary materials after they had been ordered. Additionally, I would have to take at least six of the 30 available people off of other jobs on heavier-traveled lines for a period of time between three to six months to be fully dedicated to the repair of the Bridge.

Even if CSXT were to use an outside contractor, that contractor would have to order material for the job and wait the same six months for the material to be made and delivered. Bridge material is not generic and must be specifically prepared for the project, and may even require finding certain growing trees to use in making the timber bridge components.

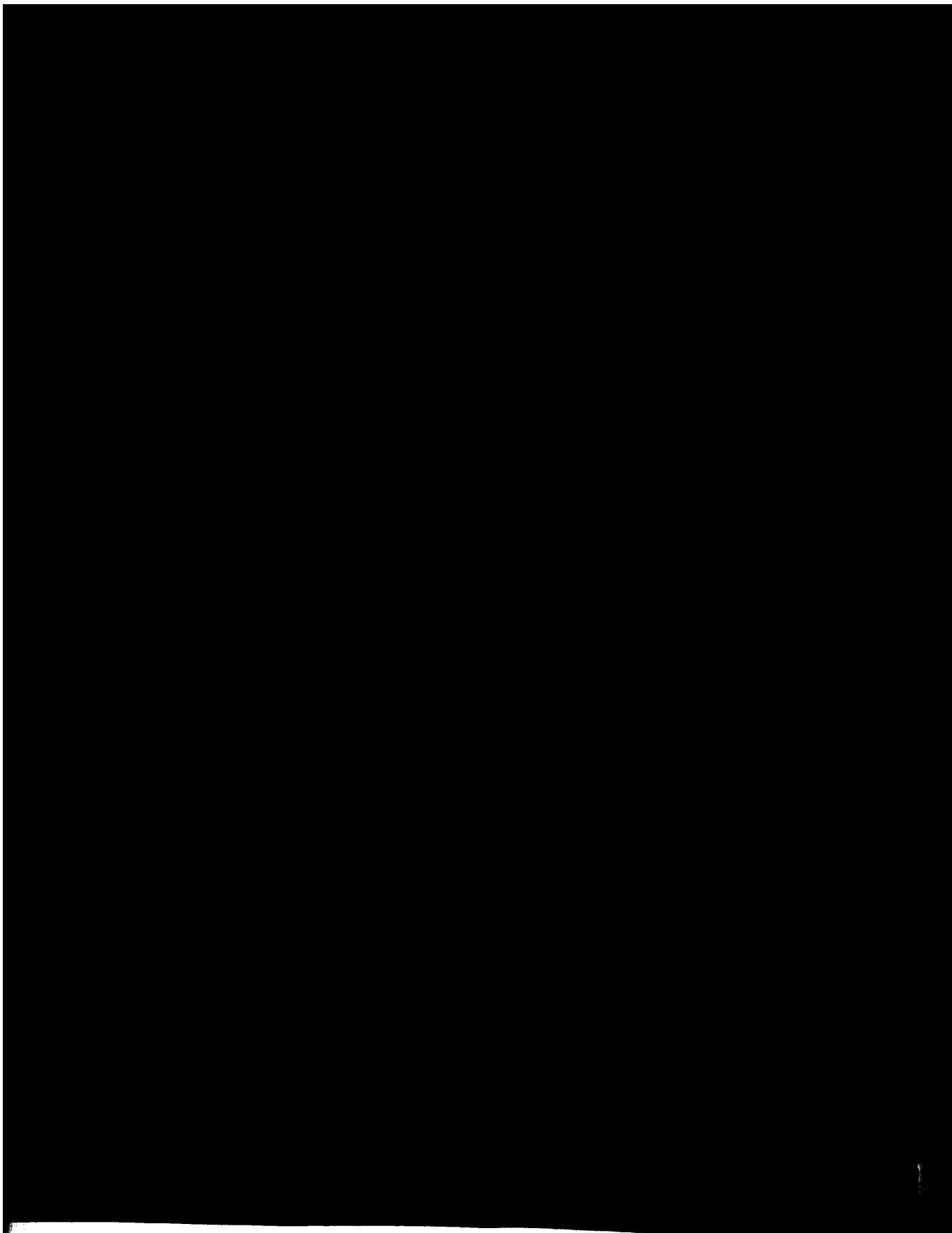


EXHIBIT A

VERIFIED STATEMENT
OF
LEEROY DAVIDSON

My name is LeeRoy Davidson and I am Regional Engineer of Structures for CSX Transportation, Inc. ("CSXT"), with offices located at 11429 Bluegrass Parkway, Louisville, Kentucky. My duties include inspection, repair and replacement of all railroad structures on the Midwest Region. I began my railroad career in 1970 as a bridge repairman, and was promoted to Assistant Bridge Supervisor in 1972 and Bridge Supervisor in 1980 for the former Louisville and Nashville Railroad Company. Since 1981, I have been employed by CSXT as Assistant Bridge Supervisor, Bridge Supervisor, General Bridge Supervisor, Engineer B&B, Engineer of Production, Assistant Division Engineer and Regional Engineer of Structures.

The purpose of this statement is to describe the present condition of the bridge located at Milepost ONI 223.3 (the "Bridge"). This statement also details the relevant repair and replacement costs for the Bridge. The line was embargoed on March 1, 2001 because the Bridge is unsafe to operate over any longer absent significant repairs.

In January, 2001, I personally inspected the Bridge along with a CSXT Bridge Supervisor and a CSXT Assistant Regional Engineer Bridges. In June, 2002, a Bridge Supervisor inspected the Bridge once again and reported details related to its present condition to my office. The Bridge was inspected by following the industry standards for bridge inspections as well as the standards outlined in CSXT Fundamentals of Railroad Bridge Inspection (Exhibit A in my work papers in Volume III). The techniques employed in the inspection of the bridges included the Pick Test, visual inspection, sounding and drilling. (See Exhibit A for detailed explanations of these techniques.)

A typical timber railroad bridge has a life span of approximately 40 to 50 years depending on the rate of decay, the quality of the timber used and the quality of the preservative treatment, among other factors. When the cost of repairing a bridge is so great that it is not economically feasible to maintain and it becomes unsafe to operate on the bridge, the life of that bridge is considered to have ended.

After the inspection utilizing the industry standards, the above-mentioned techniques and my general engineering knowledge, I determined that the Bridge is unsafe to operate over

without significant repairs. Even if CSXT were to make the recommended repairs to the Bridge, the Bridge would still require replacement within approximately ten years because this Bridge has effectively reached or surpassed its useful life.

The Bridge is located at Milepost ONI 223.3 on the line proposed for abandonment in this proceeding. The Bridge was built in 1921 and measures approximately 120 linear feet. It is a 6-pile, creosote pine timber trestle bridge. This bridge has sustained major fire damage as a result of arson. The decay level of the bridge is approximately 80% in terms of pilings, stringers, flooring, and curbs with several pilings and stringers failing. I estimate the repair cost to be approximately \$214,500.00. The cost to rebuild this bridge is estimated to be \$360,000.00. (Timber Bridge Inspection Report dated January 9, 2001 for the Bridge is Exhibit B in my work papers in Volume III).

This estimate includes the cost to post 28 pilings, replace 11 caps, 120 stringers, and all flooring and curbs. With regard to the pilings, a large number of the piles are very small in diameter. Because of the decay and fire damage to the small pilings, the Bridge is not safe for rail traffic. The cost to post 28 pilings is estimated to be \$56,000.00. The term "post" a piling means cutting out the decayed portion of the piling and patching it. Once a piling has been "posted," it loses 40% of its capacity. In this case, 28 pilings requiring posting. The total cost to replace 11 caps is estimated to be \$33,000.00. The cost to replace 120 stringers is estimated to be \$42,600.00. The cost to replace the flooring on the Bridge is estimated to be \$21,600.00. The cost to replace 15 curbs is estimated to be \$4,875.00. Finally, the cost to replace the bracing is estimated to be \$2,900.00. The estimated cost of miscellaneous hardware is \$7,700.00. Miscellaneous hardware includes but is not limited to curb bolts, drift pins, bolt spikes, washers, pile pads, and back wall timbers. Further, the cost of necessary rental equipment to repair the Bridge is estimated to be \$45,825.00. Such rental equipment includes but is not limited to a crane and rigging, man lifts, generators, drills, air compressors and saws. Below is a detailed unit cost breakdown of the estimated cost to repair the Bridge.

Work	Material Unit Cost	Labor Unit Cost	Total
Post 28 Pilings	\$ 500.00	\$1,500.00	\$56,000.00
Replace 11 Caps	\$ 600.00	\$2,400.00	\$33,000.00
Replace 120 String.	\$ 230.00	\$ 125.00	\$42,600.00
Replace Flooring	\$ 60.00	\$ 60.00	\$21,600.00
Replace 15 Curbs	\$ 225.00	\$ 100.00	\$ 4,875.00
Replace Bracing	\$1,400.00	\$1,500.00	\$ 2,900.00
Misc. Hardware	-----	-----	\$ 7,700.00
Rental Equipment			\$45,825.00
			\$214,500.00

Although CSXT could perform approximately \$214,500.00 worth of work to the Bridge in order to return it to service, and could probably continue to utilize the Bridge through 2012 with periodic repairs, CSXT does not believe this to be the most prudent course of action. This Bridge has outlived its useful life and will require replacement. Even if CSXT were to spend \$214,500.00 on the repair of this Bridge, such expenditure would in no way alleviate the need to replace the Bridge at a cost of \$360,000 in today's dollars in the near future.

VERIFICATION

I, Leeroy Davidson, verify under penalty of perjury under the laws of the United States that the foregoing is true and correct. Further, I certify that I am qualified and authorized to file this Verified Statement.

Executed June ⁷ , 2002.


Leeroy Davidson

Donald R. Richardson
My Commission expires 4-18-05
Notary Public, Hardin County, KY

BEFORE THE
SURFACE TRANSPORTATION BOARD

DOCKET NO. AB-55 (SUB-NO. 618)

CSX TRANSPORTATION, INC.
- DISCONTINUANCE -
AT MEMPHIS, IN SHELBY COUNTY, TENNESSEE

REBUTTAL VERIFIED STATEMENT
OF LEEROY DAVIDSON

My name is Leeroy Davidson. I am the same Leeroy Davidson who previously sponsored a verified statement in this proceeding which was filed with the Applicant's Opening Statement of Facts and Argument, dated July 10, 2002.

The purpose of this statement is to address certain issues raised in the protest filed by Bolen-Brunson-Bell Lumber Company, Inc. (BBB), on or about August 23, 2002 (the "Protest"). The Protest calls into question my conclusions regarding the condition of the bridge located at Milepost ONI 223.3 (the "Bridge") and my estimate of repair costs. I have reviewed the Protest and carefully analyzed the verified statement and inspection report prepared by Harvey H. Stone. I do not agree with the assessment made by Mr. Stone as will be more fully set out below in this rebuttal verified statement.

A. Qualifications

In general, I am very familiar with the Bridge because it has been in my area of responsibility since 1999. Since the beginning of 2001, I have inspected the Bridge at least

five times, the most recent time being August 28, 2002.¹ I have been involved with railroad bridge maintenance for 32 years and have worked on thousands of bridges of this type. At this time, I am presently in charge of over 250,000 linear feet of bridges, including forty-five thousand linear feet of timber bridges. I am tasked with ensuring that the CSXT employees traversing the bridges can do so safely. I take this job very seriously.

Although Mr. Stone may be a qualified engineer, his credentials do not suggest that he has had ultimate responsibility for bridge maintenance or for ensuring employee and community safety like myself. Mr. Stone alleges to have performed certain bridge inspection projects for railroads that I can only classify as "shortlines" since I am not familiar with any of them personally. CSXT is a Class I railroad and likely has different standards than the shortlines. Mr. Stone may not be familiar with such standards as CSXT has never utilized his services to the best of my knowledge.

When I engage an outside contractor to assist with timber bridge projects, I tend to hire Osmose, Inc. ("Osmose"), a reputable company with experience dealing with CSXT bridge projects as well as bridge projects for other Class I railroads.

B. Bridge Condition

1. General

The Protest takes exception with my repair estimate by arguing that CSXT would basically be rebuilding the entire Bridge (other than the pilings), not repairing it. Because the Bridge is in such deplorable condition, I actually suggest a complete rebuild as

¹ Pages 8, 10, 12, and 14 of CSXT's Fundamentals of Railroad Bridge Inspection are attached as Exhibit 1. These pages were made available to BBB and the Surface Transportation Board in *CSX Transportation, Inc.—Abandonment Exemption—(Between Memphis and Cordova) in Shelby County, TN*, STB Docket No. AB-55 (Sub-No. 590X). Had BBB requested this information, it would have been provided as other information was.

opposed to a repair since the repairs necessary are so extensive. For purposes of the discontinuance application, however, I estimated the repair cost even though in reality, CSXT believes that replacement of the Bridge would likely be the most prudent course of action in terms of safety and economics.

It appears to me that Mr. Stone was hired to opine as to the absolute minimum repairs necessary for a train to utilize the Bridge. This is not the repair standard followed by CSXT. Mr. Stone has basically suggested a "patch-job" that would create the need for constant maintenance for the foreseeable future until such time as the Bridge is replaced. Although cheaper in the short term, this approach is not cost effective in the long run. To avoid the need to make frequent repairs, CSXT would repair the Bridge so that it would be functional for ten years without the need to perform further periodic work. Therefore, our estimate of costs includes all costs necessary to be spent to put the Bridge back into service for ten years. The "minor" repairs suggested by Mr. Stone would not allow the Bridge to remain useful for ten more years. On the contrary, the Stone repairs may only last for one year or less. As a result, performing the Stone repairs only would necessitate the need for CSXT to make periodic repairs to the Bridge. Perhaps this is the way shortlines operate but it is not the way that CSXT does business. CSXT has strict standards for these types of projects.

The Protest also argues that if you make the significant repairs recommended by CSXT, then you would basically have a new bridge that would last for another 40 or 50 years. Unfortunately, that is not the case. Although the new components in and of themselves would arguably last for 40 to 50 years, if we only do the repair work suggested, the pilings left in place (the foundation of the Bridge) would still be old and

would fail within 10 years. At that time, the remainder of the substructure would have to be replaced. The deck and stringers rest on the pilings (see the attached diagram of a bent in Exhibit 2). You would be required to tear the Bridge completely apart to accomplish this. Since the pilings will eventually fail, CSXT believes that it would be more cost effective to go ahead and replace the Bridge.

One final note with regard to the pilings, I do believe that the pilings are small but at the present time they do fall within the CSXT guidelines. The width of the pilings, however, is relevant due to the significant decay of the pilings which can affect load-bearing capacity.

Mr. Stone contends that we did not provide the Board all of the Bent information in the Application. The Bents should have been numbered from 0 through 10, instead of 1 to 11. Because of the numbering, Bent six was duplicated and marked both six and seven. Then Bents eight through 11 were numbered wrong. Bent seven in the Application, Volume III, Page 91 should be deleted and Bents eight through 11 should be renumbered seven through 10. Application, Volume III, Pages 92-95.

2. Stringers

The Protest attempts to demonstrate that CSXT added in costs to replace stringers that do not exist. That is simply not the case. Although I should have been clearer in my earlier statement, the information submitted was correct. The point regarding the stringers highlights certain CSXT standards that Mr. Stone has not complied with in projecting his repairs. When a bridge is in as poor of a condition as the Bridge, CSXT makes repairs in accordance with its current design standards. See Application Volume III. CSXT's current standards require 11 stringers per panel. The Bridge currently

contains only 8 stringers per panel. As such, CSXT would not only replace all existing stringers but would add 3 additional stringers per panel.

The structure that is there today is very substandard for CSXT. CSXT would not replace the bridge top with the current type of design. As indicated above, we would go to a CSXT standard of 11 stringers per panel. In addition, 10 stringers would be used to rebuild the timber backwalls that are deteriorated. This is actually a total of 120 stringers.

One of the biggest differences between my opinion based on the CSXT standards and the Stone report relates to the aforementioned stringers. Where I believe that approximately 120 stringers need to be replaced/added, Mr. Stone recommended replacing 13 of the stringers. I believe that only replacing 13 stringers would be a substandard repair job to say the least, and the Bridge would not be safe to operate over. CSXT's inspection revealed that 36 stringers out of the 84 existing stringers are "rejects" and should be replaced. Reject stringers are stringers that are 50 percent or less effective. Therefore, approximately 42 percent of the stringers are less than 50 percent effective in my opinion and therefore, the Bridge is not safe to carry traffic. Although the remaining stringers are each individually more than 50 percent effective, the combined deterioration and their poor condition, this Bridge is not in a condition to run any traffic over at this time absent very extensive repairs. The remaining stringers will all become rejects within 10 years and have to be replaced. It will be more cost effective and efficient now to replace all of the stringers and add those necessary to bring the Bridge up to CSXT standards than to replace 36 stringers today and the remaining 48 over 10 years, as well as add the 36 stringers needed to bring the Bridge up to CSXT standards.

One reason that Mr. Stone may not have been able to identify all of the problems with the bridge is that Mr. Stone did not use the drilling method that was employed by CSXT. CSXT actually drilled the stringers and the other timber on the Bridge to find internal decay, where Mr. Stone did not. A comparison of my more detailed inspection of the stringers compared to Mr. Stone follows.

In Panel 1, Mr. Stone's inspection determined that none of the stringers were rejects, while CSXT's more detailed inspection identified three stringers that were rejects because they were 80 to 90 percent decayed (stringers two, three, and eight). In Panel 2, Mr. Stone's inspection revealed that only one stringer was a reject. CSXT's more detailed inspection revealed that stringers one, two, three, four, and five are all rejects due to deterioration in excess of 50 percent. In Panel 3, Mr. Stone found two stringers that were rejects, while CSXT's more detailed inspection revealed that stringers one, two, four, seven, and eight all are rejects. In Panel 4, Mr. Stone's inspection revealed that two stringers were rejects. CSXT's more detailed inspection, however, found that stringers one, four, seven, and eight were rejects. For Panel 5, Mr. Stone does not believe that any stringers are rejects, whereas CSXT's more detailed inspection revealed that three stringers are rejects (two, four, and seven). With regard to Panel 6, Mr. Stone determined that none of the stringers are rejects; CSXT's more detailed inspection revealed that in actuality, stringers four, five, six, and eight are rejects. In Panel 7 Mr. Stone's inspection revealed that two stringers are rejects. CSXT's more detailed inspection, however, indicated that stringers four, five, six, and eight are rejects. For Panel 8, Mr. Stone's inspection agrees with CSXT's opinion that only one stringer is a reject at this time (stringer seven). For Panel 9, Mr. Stone's inspection agrees with

CSXT's opinion that three stringers are rejects (stringers one, six, and eight). In Panel 10, Mr. Stone's inspection determined that only one stringer is a reject, where CSXT's more detailed inspection revealed that actually stringers one, three, five, and eight all are rejects.

The substantial disparity between the results of Mr. Stone's analysis of the stringers and CSXT's inspection causes me to question the validity of Mr. Stone's entire inspection and report.

3. Flooring

The other major area of disagreement was the flooring. Mr. Stone does not believe that the flooring on the Bridge requires replacement. Regardless of the condition of the flooring (based on its inspection, CSXT believes that the flooring itself is decayed), it would need to be replaced even if only the repairs suggested by Mr. Stone were undertaken. In order to do the type of work contemplated (replacing the stringers under the flooring, etc.); the flooring would need to be removed completely from the Bridge. Removing the flooring will cause further damage to the already deteriorating flooring. Because the flooring is necessary to hold ballast and ballast curb at the edge of the flooring and the edges are deteriorated, we could not rebolt a ballast curb and expect it to remain safely in place on the old flooring. The support would be insufficient. As a result, the flooring requires replacement.

4. Unit Costs

There are several areas of differences on the estimated unit costs for this project. One potential reason may be that the shortline railroads Mr. Stone is familiar with may be eligible for cheaper labor rates. CSXT generally uses contract labor to perform our work,

and that could constitute some of the difference in the unit cost. CSXT's unit cost estimates are based on my thirty-two years of work experience with railroad bridge, maintenance but they are only estimates. It could cost a little more or a little less, but they are good faith estimates of what it would cost to put this Bridge back into service at a safe level for a reasonable period of time.

Finally, CSXT actually asked Osmose, our outside contractor, to inspect the Bridge at the beginning of 2002. Although Osmose did not perform a highly detailed inspection, they did do some drilling during their inspection. Like CSXT, Osmose also recommends that the Bridge be replaced as a result of the "severe decay" and "section loss due to fire." If the Bridge were to be repaired to last an additional 10 years, however, Osmose estimated that it could actually cost \$265,000.00 to perform the necessary repairs (see attached Exhibit 3).

VERIFICATION

I, Leeroy Davidson, verify under penalty of perjury under the laws of the United States that the foregoing is true and correct. Further, I certify that I am qualified and authorized to file this Verified Statement.

Executed September 5, 2002

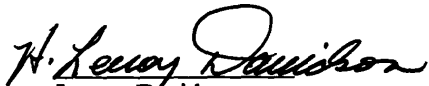

Leeroy Davidson

EXHIBIT B

TIMBER BRIDGE INSPECTION AND TREATING REPORT

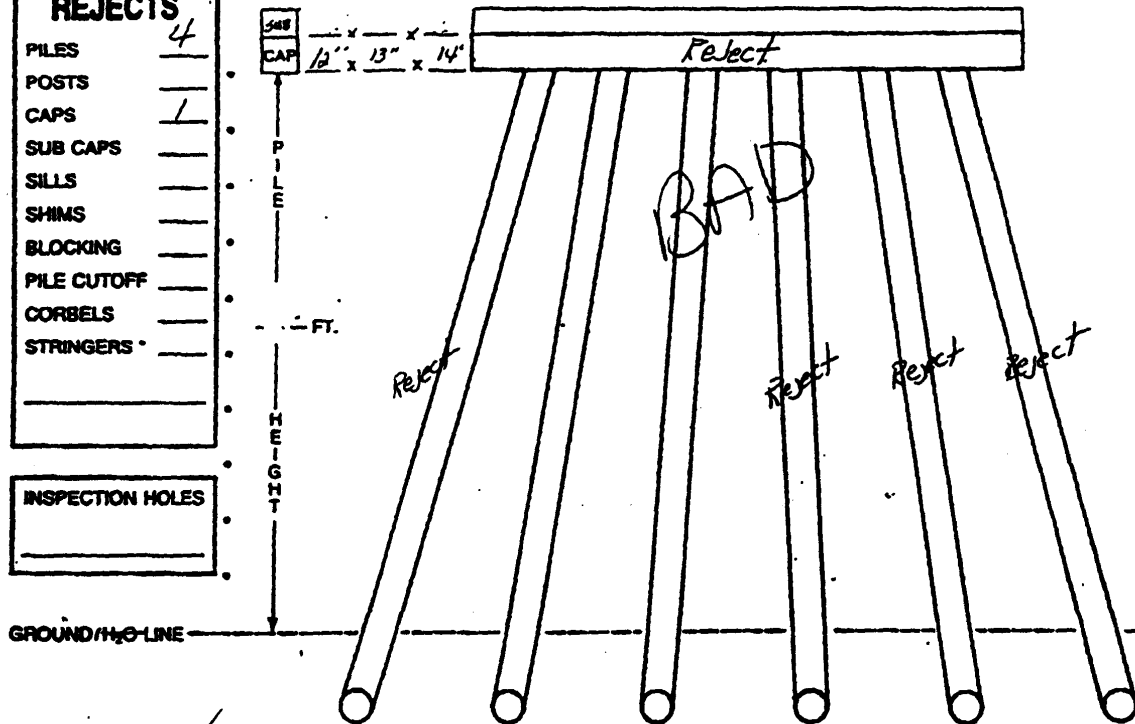
Owner CSX TRANSPORTATION Date Inspected 6-19-82
 Bridge No. 071 223.3 Bents No. 1 Foreman J. S. Abad

MEMBERS CLASSIFIED

REJECTS

PILES 4
 POSTS _____
 CAPS 1
 SUB CAPS _____
 SILLS _____
 SHIMS _____
 BLOCKING _____
 PILE CUTOFF _____
 CORBELS _____
 STRINGERS _____

INSPECTION HOLES



Pile No. Facing N ✓ S ✓ E ✓ W _____
 Average Diameter _____
 Condition Above Ground/H₂O _____
 Groundline Work _____
 No. Sound Wood Below Groundline _____
 Approx. Length to Post _____

REMARKS:

SYMBOLS

C - Crushing
 DP - Decay Pocket
 DR - Decay Ring
 DRC - Decay Core
 GL - Ground Line
 H - Heat
 MD - Mechanical Damage
 NT - Not Treated
 PP - Previously Pested
 PX - Possible Reject
 S - Side or Main Sill
 SR - Steel Rail
 TRA - Compression
 TRC - CLAS-RTU
 TRC - Timber Knot
 TRC - Cap-R-Plate
 TRC - Lath-R-Plate
 I - Inspected Only
 V - Vail
 WPH - Woodpecker Hole
 X - Reject
 * See Sillager Report

OPTIONAL ITEMS

INT. EXT.

EXCAVATION

PILES GL	TR.			EXC. GL	EA.
PILES	TR.			EXC. BRACEBOLT	EA.
POSTS	TR.			EXC. CUT OFFS	EA.
CAPS	TR.			EXC. DUMP BENT	EA.
SUB CAPS	TR.			EXC. SILLS	EA.
SHIMS	TR.				
SILLS	TR.			H ₂ O PROTECT	EA.
BLOCKING	TR.			OPTIONAL ITEMS	INT. EXT.
CORBELS	TR.				
STRINGERS	TR.				

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TIMBER BRIDGE INSPECTION AND TREATING REPORT

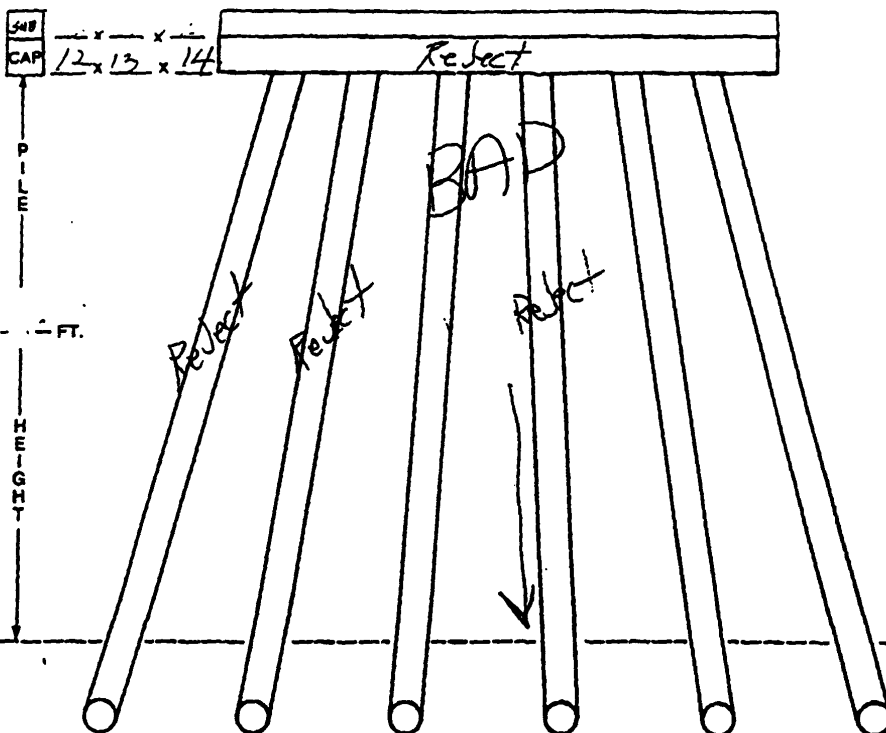
Owner CSX TRANSPORTATION Date Inspected 6-19-02
 Bridge No. 0N1 223.3 Bents No. 2 Foreman J. S. Hood

MEMBERS CLASSIFIED

REJECTS

PILES 3
 POSTS 1
 CAPS 1
 SUB CAPS
 SILLS
 SHIMS
 BLOCKING
 PILE CUTOFF
 CORBELS
 STRINGERS

INSPECTION HOLES

GROUND/H₂O LINE

No. Facing N S E W
 Average Diameter
 Condition Above Ground/H₂O
 Groundline Work
 Is Sound Wood Below Groundline
 Approx. Length to Post

REMARKS:

SYMBOLS

C - Cracking
 DP - Decay Pocket
 DR - Decay Ring
 EXC - Excavation
 G/L - Ground Line
 H - Heart
 MD - Mechanical Damage
 NT - Not Treated
 PP - Previously Packed
 PR - Possible Reject
 S - Min. or Max. Shell
 SR - Shell Rot
 TR-A - Carbohydrate
 TR-B - CU-BE-RTU
 TR-C - Timberline
 TR-D - Cop-R-Plastic
 TR-E - Mito-Tumex
 I - Inspected Only
 V - Void
 WPH - Woodpecker Hole
 X - Reject
 * See Springer Report

OPTIONAL ITEMS		INT.	EXT.	EXCAVATION	
PILES G/L	TR.			EXC. G/L	EA.
PILES	TR.			EXC. BRACEBOLT	EA.
POSTS	TR.			EXC. CUT OFFS	EA.
CAPS	TR.			EXC. DUMP BENT	EA.
SUB CAPS	TR.			EXC. SILLS	EA.
SHIMS	TR.				
SILLS	TR.			H ₂ O PROTECT	EA.
BLOCKING	TR.			OPTIONAL ITEMS	INT. EXT.
CORBELS	TR.				
STRINGERS	TR.				

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TIMBER BRIDGE INSPECTION AND TREATING REPORT

Owner CSX TRANSPORTATIONDate Inspected 6-19-02Bridge No. 071 223.3Bents No. 3Foreman J. Stood

MEMBERS CLASSIFIED

REJECTS

PILES 5

POSTS 1

CAPS 1

SUB CAPS

SILLS

SHIMS

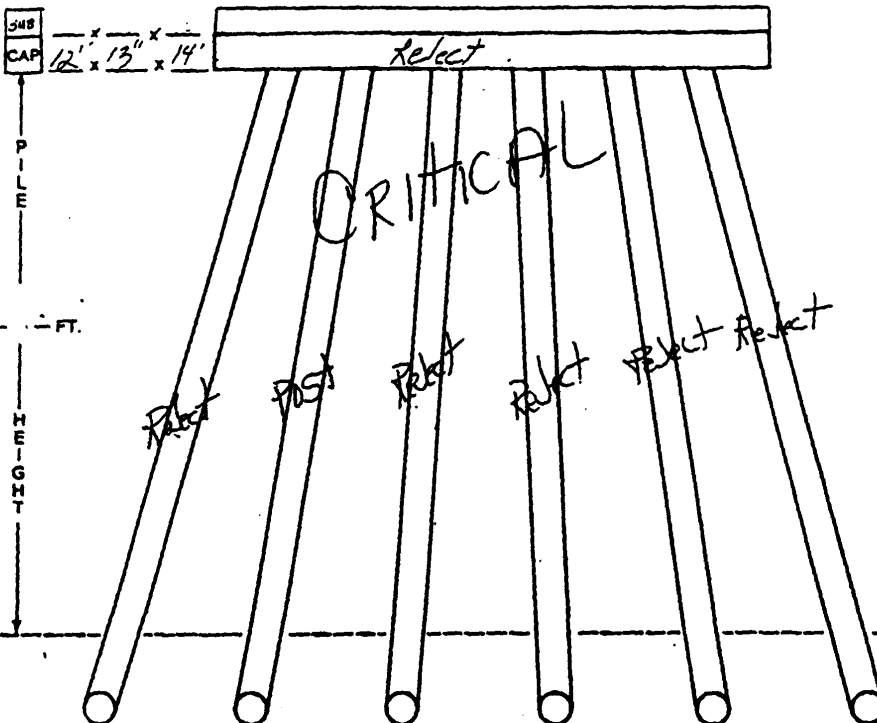
BLOCKING

PILE CUTOFF

CORBELS

STRINGERS

INSPECTION HOLES

GROUND/H₂O-LINEBearing No. Facing N S E W Average Diameter Position Above Ground/H₂O Soundline Work Sound Wood Below Groundline Approx. Length to Post

MARKS:

SYMBOLS

C - Casing

DP - Decay Pocket

DR - Decay Ring

EXC - Excavate

G/L - Ground Line

H - Heart

MO - Mechanical Damage

NT - Not Treated

PP - Previously Painted

PK - Possible Pocket

S - Min. or Max. Shear

SR - Shell Rot

TR-A - Composites

TR-B - CU-68-RTU

TR-C - Timberline

TR-D - Cap-R-Plastic

TR-E - MBO-Fume

I - Inspected Only

V - Void

WPH - Woodpecker Hole

X - Reject

* See Sinker Report

OPTIONAL ITEMS

INT. EXT.

EXCAVATION

OPTIONAL ITEMS	INT.	EXT.	EXCAVATION	EA.
PILES G/L	TR.		EXC. G/L	EA.
PILES	TR.		EXC. BRACEBOLT	EA.
POSTS	TR.		EXC. CUT OFFS	EA.
CAPS	TR.		EXC. DUMP BENT	EA.
SUB CAPS	TR.		EXC. SILLS	EA.
SHIMS	TR.			
SILLS	TR.		H ₂ O PROTECT	EA.
BLOCKING	TR.		OPTIONAL ITEMS	INT. EXT.
CORBELS	TR.			
STRINGERS	TR.			

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TIMBER BRIDGE INSPECTION AND TREATING REPORT

Owner CSX TRANSPORTATION Date Inspected 6-19-02
 Bridge No. 001 223.3 Bents No. 4 Foreman J.S. Hob

MEMBERS CLASSIFIED

REJECTS

PILES 4

POSTS 1

CAPS _____

SUB CAPS _____

SILLS _____

SHIMS _____

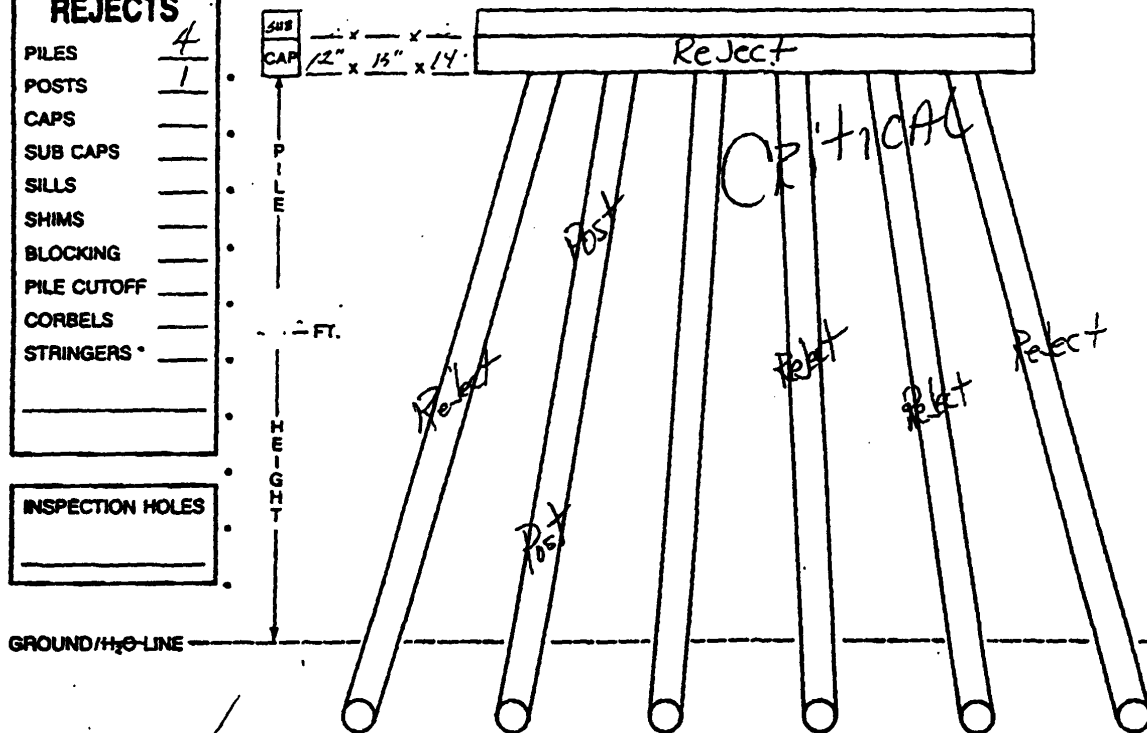
BLOCKING _____

PILE CUTOFF _____

CORBELS _____

STRINGERS _____

INSPECTION HOLES



No. Facing N <u>✓</u> S <u>✓</u> E <u>✓</u> W _____	_____	_____	_____	_____	_____	_____
Average Diameter _____	_____	_____	_____	_____	_____	_____
Condition Above Ground/H ₂ O _____	_____	_____	_____	_____	_____	_____
Groundline Work _____	_____	_____	_____	_____	_____	_____
a. Sound Wood Below Groundline _____	_____	_____	_____	_____	_____	_____
max. Length to Post _____	_____	_____	_____	_____	_____	_____

REMARKS:

SYMBOLS	OPTIONAL ITEMS		INT. EXT.		EXCAVATION	
	OPTIONAL ITEMS	TR.	INT.	EXT.	EXCAVATION	EA.
C - Crushing	PILES G/L	TR.			EXC. G/L	EA.
DP - Decay Pocket	PILES	TR.			EXC. BRACEBOLT	EA.
DR - Decay Ring	POSTS	TR.			EXC. CUT OFFS	EA.
EXC - Excavation	CAPS	TR.			EXC. DUMP BENT	EA.
G/L - Ground Line	SUB CAPS	TR.			EXC. SILLS	EA.
H - Heat	SHIMS	TR.				
MO - Mechanical Damage	SILLS	TR.			H ₂ O PROTECT	EA.
NT - Not Treated	BLOCKING	TR.			OPTIONAL ITEMS	INT. EXT.
PP - Previously Pasted	CORBELS	TR.				
PX - Possible Reject	STRINGERS	TR.				
S - Sill, or Max. Shell						
SR - Shell Rot						
TR-A - Corrosion						
TR-B - CLAS-RTU™						
TR-C - Timberline™						
TR-D - Cap-R-Plastic						
TR-E - Micro-Pneum						
I - Inspected Only						
V - VOID						
WPH - Wood Preservative Note						
X - Reject						
* See Stringer Report						

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TIMBER BRIDGE INSPECTION AND TREATING REPORT

Owner CSX TRANSPORTATIONDate Inspected 6-19-02Bridge No. 001 223.3Bents No. 5Foreman J. S. HOOB

MEMBERS CLASSIFIED

REJECTS

PILES 3

POSTS 1

CAPS 1

SUB CAPS

SILLS

SHIMS

BLOCKING

PILE CUTOFF

CORBELS

STRINGERS *

INSPECTION HOLES

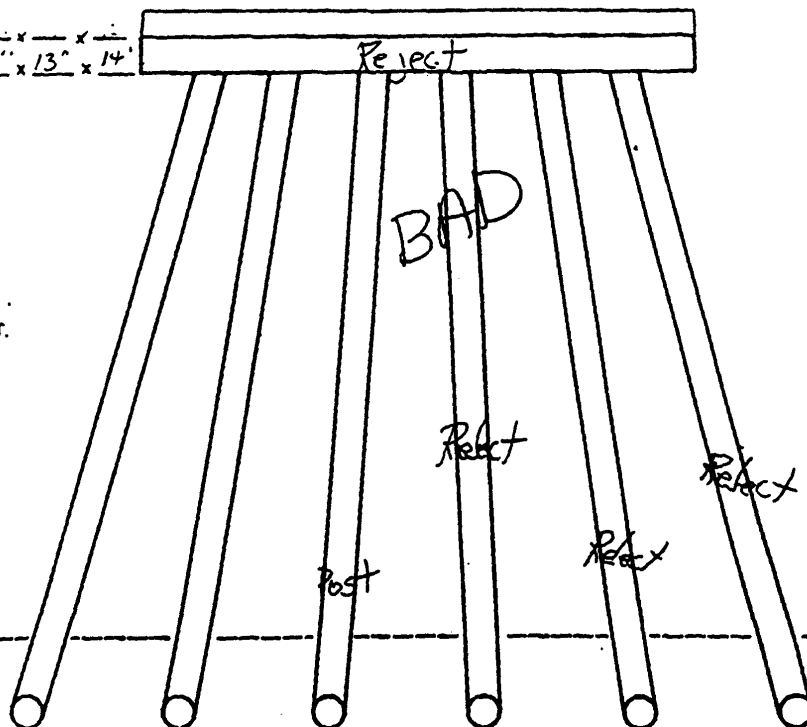
GROUND/H₂O LINESIT
CAP

12' x 13' x 14'

PILE

- FT.

HEIGHT

to No. Facing N S E W Average Diameter Inches Above Ground/H₂O Outline Work L Sound Wood Below Groundline Approx. Length to Post

MARKS:

SYMBOLS

C - Crushing

DP - Decay Product

DR - Decay Ring

EXC - Excavate

GL - Ground Line

H - Heart

MD - Mechanical Damage

NT - Not Treated

PP - Previously Painted

PK - Possible Pocket

S - Min. or Max. Split

SR - Split Rot

TR-A - Corrosion/Asp

TR-B - CU-PP-RTU

TR-C - Timberline

TR-D - Cop-A-Plastic

TR-E - Mite-Fungus

I - Inspected Only

V - Veneer

WPH - Woodpecker Hole

X - Reject

* See Sinker Report

OPTIONAL ITEMS

INT. EXT.

EXCAVATION

OPTIONAL ITEMS	INT.	EXT.	EXCAVATION	EA.
PILES G/L	TR.		EXC. G/L	EA.
PILES	TR.		EXC. BRACEBOLT	EA.
POSTS	TR.		EXC. CUT OFFS	EA.
CAPS	TR.		EXC. DUMP BENT	EA.
SUB CAPS	TR.		EXC. SILLS	EA.
SHIMS	TR.			
SILLS	TR.		H ₂ O PROTECT	EA.
BLOCKING	TR.		OPTIONAL ITEMS	INT. EXT.
CORBELS	TR.			
STRINGERS	TR.			

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TIMBER BRIDGE INSPECTION AND TREATING REPORT

Owner CSX TRANSPORTATIONDate Inspected 6-19-02Bridge No. 011.223.3Bents No. 6Foreman J.S. Hood

MEMBERS CLASSIFIED

REJECTS

PILES 3

POSTS 1

CAPS 1

SUB CAPS

SILLS

SHIMS

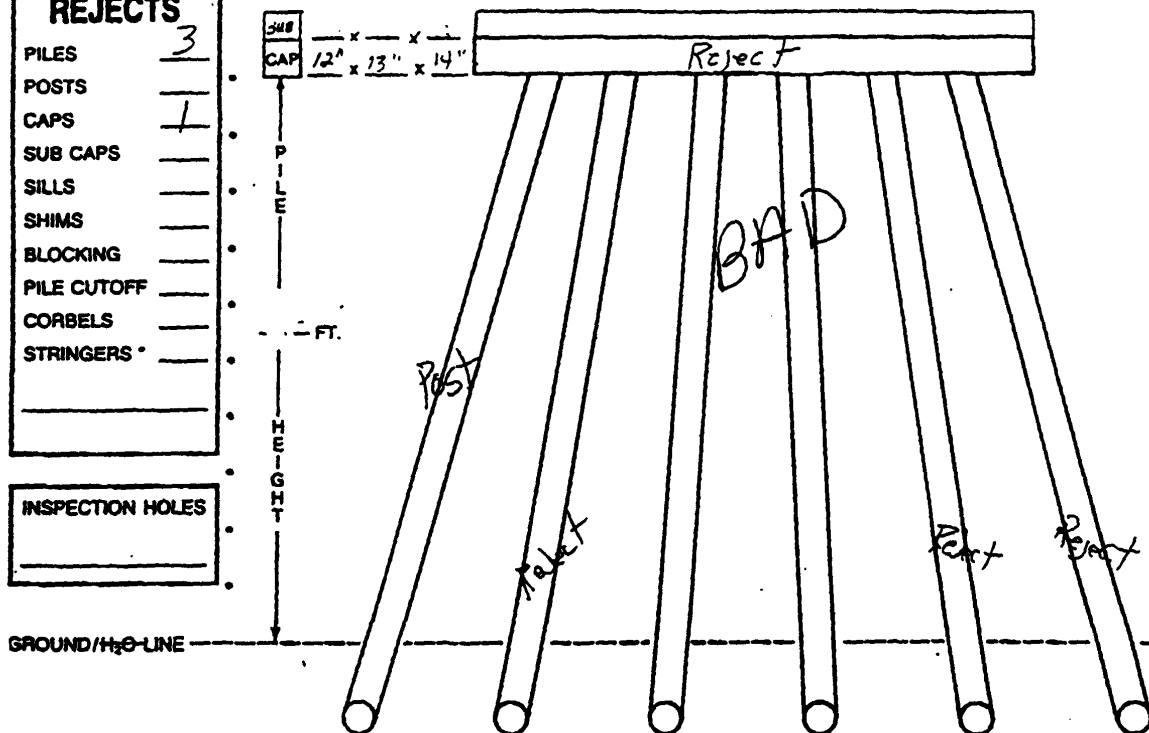
BLOCKING

PILE CUTOFF

CORBELS

STRINGERS

INSPECTION HOLES



No. Facing N S E W

average Diameter

Position Above Ground/H₂O

Groundline Work

L. Sound Wood Below Groundline

prox. Length to Post

MARKS:

SYMBOLS

C - Cushing

DP - Decay Product

DR - Decay Ring

EXC - Excavate

GL - Ground Line

H - Heart

MO - Mechanical Damage

NT - Not Treated

PP - Previously Painted

PK - Possible Knot

S - Knot, or Knot Sheel

SR - Shell Rot

TR-A - Compression

TR-B - CU-SS-RTU™

TR-C - Trexure™

TR-D - Cap-A-Plastic

TR-E - Nitro-Paste™

V - Voids

WPH - Woodpecker Hole

X - Reject

* See Stinger Report

OPTIONAL ITEMS		INT.	EXT.	EXCAVATION	
PILES G/L	TR.			EXC. G/L	EA.
PILES	TR.			EXC. BRACEBOLT	EA.
POSTS	TR.			EXC. CUT OFFS	EA.
CAPS	TR.			EXC. DUMP BENT	EA.
SUB CAPS	TR.			EXC. SILLS	EA.
SHIMS	TR.				
SILLS	TR.			H ₂ O PROTECT	EA.
BLOCKING	TR.			OPTIONAL ITEMS	INT. EXT.
CORBELS	TR.				
STRINGERS	TR.				

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TIMBER BRIDGE INSPECTION AND TREATING REPORT

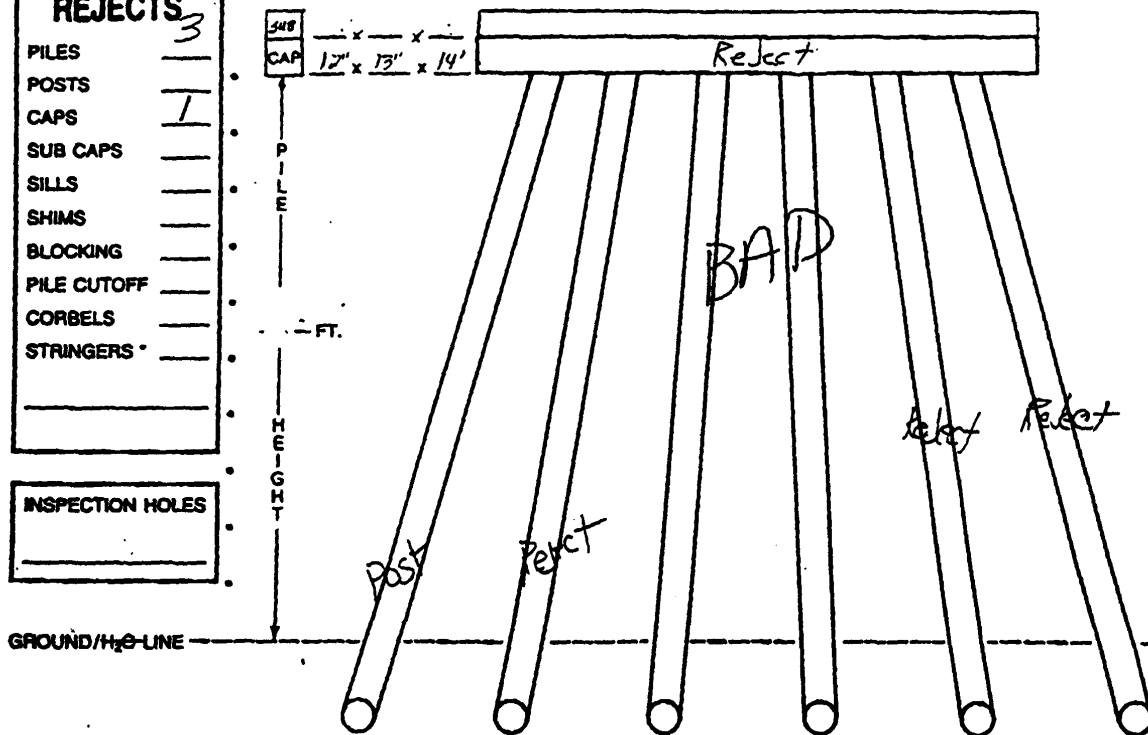
Owner CSX TRANSPORTATION Date Inspected 6-10-02
 Bridge No. 071 223.3 Bents No. 7 Foreman J.S. Hood

MEMBERS CLASSIFIED

REJECTS

PILES 3
 POSTS 1
 CAPS 1
 SUB CAPS _____
 SILLS _____
 SHIMS _____
 BLOCKING _____
 PILE CUTOFF _____
 CORBELS _____
 STRINGERS _____

INSPECTION HOLES



Pile No. Facing N S E W
 Average Diameter
 Location Above Ground/H₂O
 Groundline Work
 Is. Sound Wood Below Groundline
 Approx. Length to Post

REMARKS:

SYMBOLS	OPTIONAL ITEMS		EXCAVATION	
	INT.	EXT.	INT.	EXT.
G - Charring				
DP - Decay Pocket				
DR - Decay Ring				
EXC - Excavate				
G/L - Ground Line				
H - Heat				
MD - Mechanical Damage				
NT - Not Treated				
PP - Previously Peaked				
PX - Possible Peaked				
S - Min. or Max. Short				
SR - Shell Rot				
TR-A - Decomposition				
TR-B - CU-BE-RTU				
TR-C - Timberbore				
TR-D - Cup-A-Plastic				
TR-E - Micro-Pump				
I - Inspected Only				
V - Void				
WPH - Woodpecker Hole				
X - Fission				
* See Bridge Report				
PILES G/L	TR.		EXC. G/L	EA.
PILES	TR.		EXC. BRACEBOLT	EA.
POSTS	TR.		EXC. CUT OFFS	EA.
CAPS	TR.		EXC. DUMP BENT	EA.
SUB CAPS	TR.		EXC. SILLS	EA.
SHIMS	TR.			
SILLS	TR.		H ₂ O PROTECT	EA.
BLOCKING	TR.		OPTIONAL ITEMS	INT. EXT.
CORBELS	TR.			
STRINGERS	TR.			

TIMBER BRIDGE INSPECTION AND TREATING REPORT

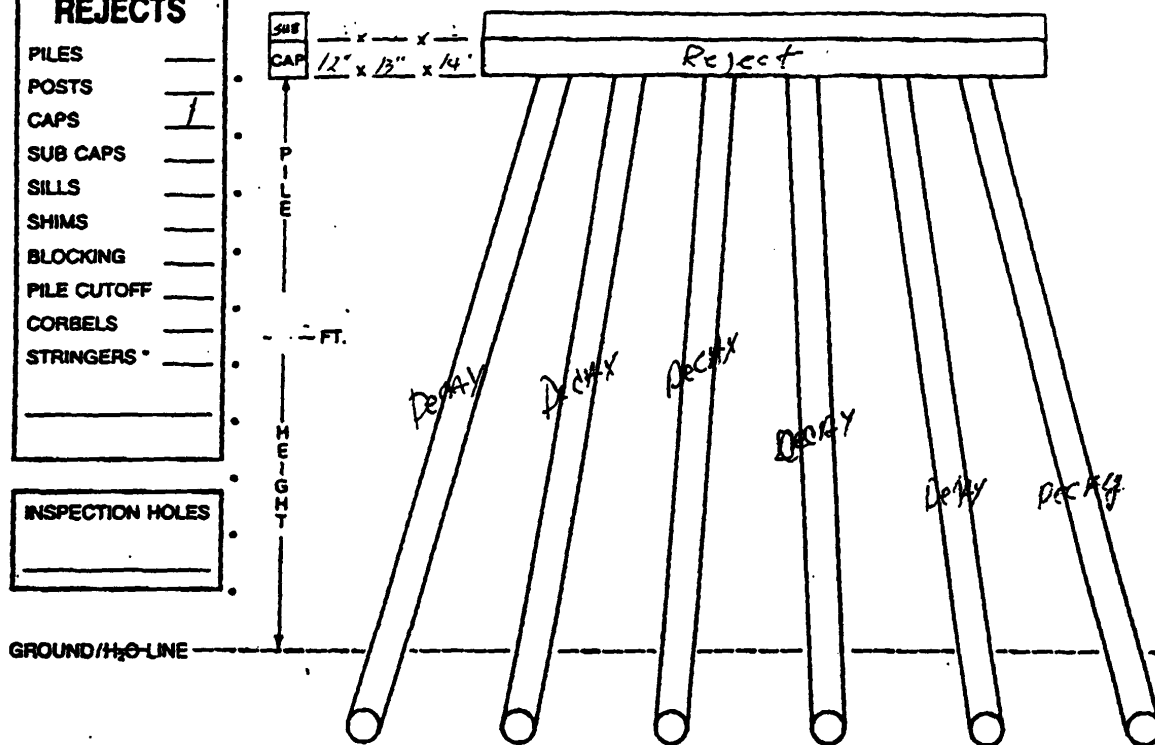
Owner CSX TRANSPORTATION Date Inspected 6-19-02
 Bridge No. 001 223.3 Bents No. 8 Foreman J.S. Hood

MEMBERS CLASSIFIED

REJECTS

PILES _____
 POSTS _____
 CAPS 1
 SUB CAPS _____
 SILLS _____
 SHIMS _____
 BLOCKING _____
 PILE CUTOFF _____
 CORBELS _____
 STRINGERS * _____

INSPECTION HOLES



File No. Facing N S E W
 Average Diameter
 Condition Above Ground/H₂O
 Groundline Work
 Is Sound Wood Below Groundline
 Approx. Length to Post

REMARKS:

SYMBOLS

C - Chinking
 DP - Decay Pocket
 DR - Decay Ring
 EXC - Excavation
 GL - Ground Line
 H - Heat
 MD - Mechanical Damage
 NT - Not Treated
 PY - Previously Painted
 PX - Possible Rust
 S - Min. or Max. Split
 SR - Split Rail
 TR-A - Chinking
 TR-B - CL-60-RTU
 TR-C - Timberline
 TR-D - Cap-A-Plastic
 TR-E - MLC-Plastic
 I - Inspected Only
 V - Void
 WH - Woodpecker Hole
 X - Rust
 * See Bridge Report

OPTIONAL ITEMS

INT. EXT.

EXCAVATION

OPTIONAL ITEMS	INT.	EXT.	EXCAVATION	EA.
PILES G/L	TR.		EXC. G/L	EA.
PILES	TR.		EXC. BRACEBOLT	EA.
POSTS	TR.		EXC. CUT OFFS	EA.
CAPS	TR.		EXC. DUMP BENT	EA.
SUB CAPS	TR.		EXC. SILLS	EA.
SHIMS	TR.			
SILLS	TR.		H ₂ O PROTECT	EA.
BLOCKING	TR.		OPTIONAL ITEMS	INT. EXT.
CORBELS	TR.			
STRINGERS	TR.			

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TIMBER BRIDGE INSPECTION AND TREATING REPORT

Owner CSX TRANSPORTATION Date Inspected 6-19-02
 Bridge No. 071 223.3 Bents No. 9 Foreman J.S. Hood

MEMBERS CLASSIFIED

REJECTS

PILES 1

POSTS I

CAPS I

SUB CAPS

SILLS

SHIMS

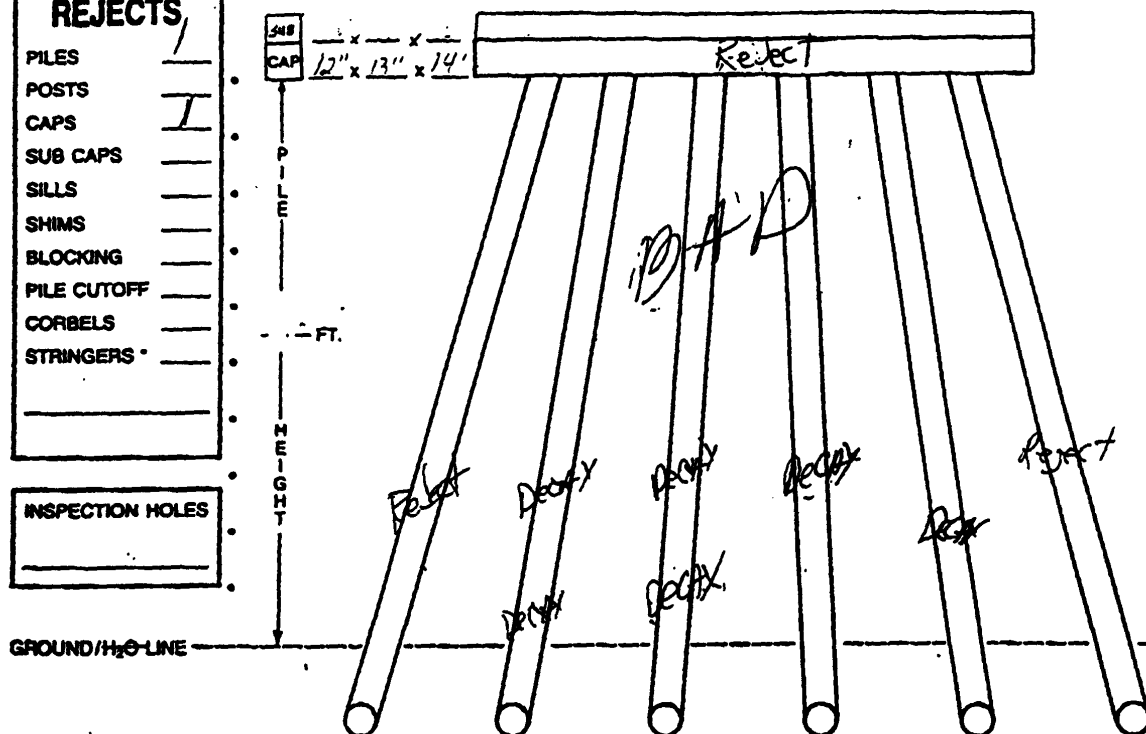
BLOCKING

PILE CUTOFF

CORBELS

STRINGERS

INSPECTION HOLES



File No. Facing N S E W

average Diameter

location Above Ground/H₂O

roundline Work

is. Sound Wood Below Groundline

approx. Length to Post

REMARKS:

SYMBOLS

C - Charring
 DP - Decay Pocket
 DR - Decay Ring
 EXC - Excavation
 GL - Ground Line
 H - Nail
 MD - Mechanical Damage
 NT - Not Treated
 PP - Previously Pested
 PX - Possible Pocket
 S - Min. or Max. Split
 SR - Split Rail
 TR-A - Cross-section
 TR-B - CU-SS-RTU™
 TR-C - Terephthalate™
 TR-D - Cup-R-Protect™
 TR-E - Micro-Pump™
 I - Inspected Only
 V - Void
 WPH - Woodpecker Hole
 X - Reject
 * See Sinker Report

OPTIONAL ITEMS		INT.	EXT.	EXCAVATION	
PILES G/L	TR.			EXC. G/L	EA.
PILES	TR.			EXC. BRACEBOLT	EA.
POSTS	TR.			EXC. CUT OFFS	EA.
CAPS	TR.			EXC. DUMP BENT	EA.
SUB CAPS	TR.			EXC. SILLS	EA.
SHIMS	TR.				
SILLS	TR.			H ₂ O PROTECT	EA.
BLOCKING	TR.			OPTIONAL ITEMS	INT. EXT.
CORBELS	TR.				
STRINGERS	TR.				

TIMBER BRIDGE INSPECTION AND TREATING REPORT

Owner CSX TRANSPORTATION Date Inspected 6-19-02
 Bridge No. 071 223.3 Bents No. 10 Foreman J.S. Hood

MEMBERS CLASSIFIED

REJECTS

PILES 2

POSTS I

CAPS I

SUB CAPS _____

SILLS _____

SHIMS _____

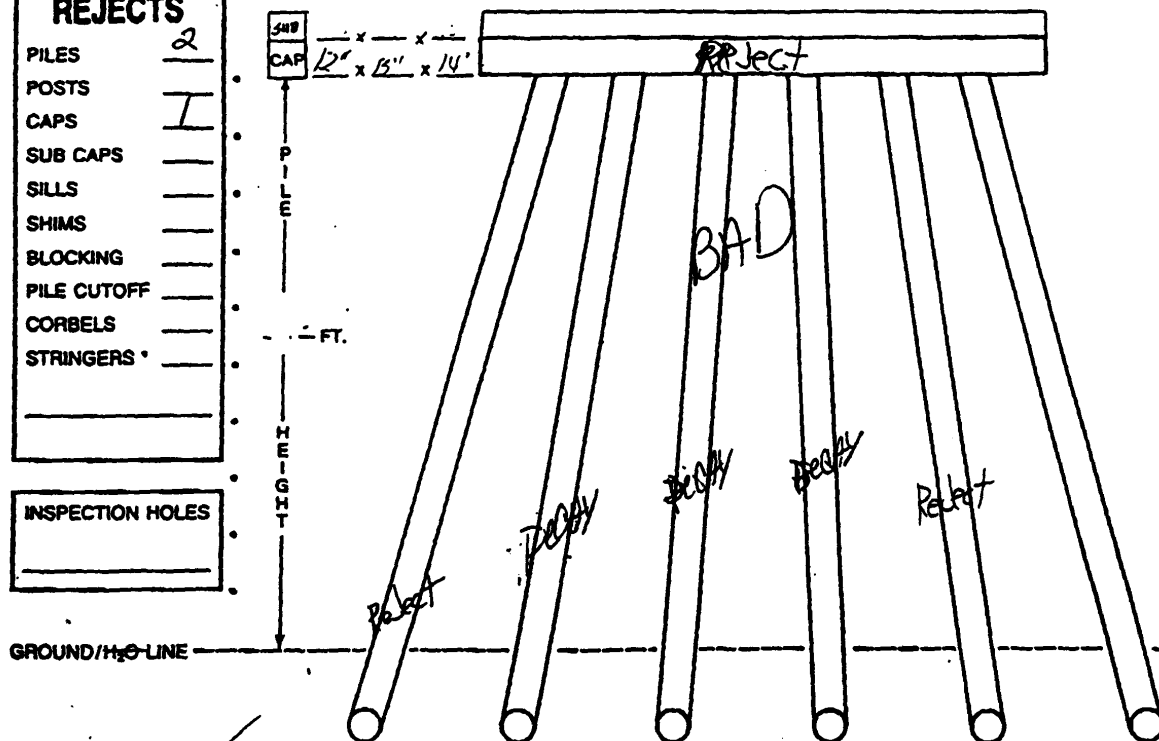
BLOCKING _____

PILE CUTOFF _____

CORBELS _____

STRINGERS _____

INSPECTION HOLES



Pile No. Facing N ✓ S E W

Average Diameter

Condition Above Ground/H₂O

Groundline Work

Vis. Sound Wood Below Groundline

Approx. Length to Post

REMARKS:

SYMBOLS

C - Crushing
 DP - Decay Pocket
 DR - Decay Ring
 DIO - Decay
 GL - Ground Line
 H - Heat
 MD - Mechanical Damage
 NT - Not Treated
 PP - Previously Poured
 PX - Possible Reject
 S - Min. or Max. Split
 SR - Split Rot
 TRA - Computed
 TRG - QU-RTUM
 TRH - Cap-A-Plastic
 TRH - Also-Power
 I - Inspected Only
 V - Void
 WPH - Woodpecker Hole
 X - Reject
 * See Stringer Report

OPTIONAL ITEMS	INT.	EXT.	EXCAVATION	
			EA.	EA.
PILES G/L	TR.		EXC. G/L	EA.
PILES	TR.		EXC. BRACEBOLT	EA.
POSTS	TR.		EXC. CUT OFFS	EA.
CAPS	TR.		EXC. DUMP BENT	EA.
SUB CAPS	TR.		EXC. SILLS	EA.
SHIMS	TR.			
SILLS	TR.		H ₂ O PROTECT	EA.
BLOCKING	TR.		OPTIONAL ITEMS	INT. EXT.
CORBELS	TR.			
STRINGERS	TR.			

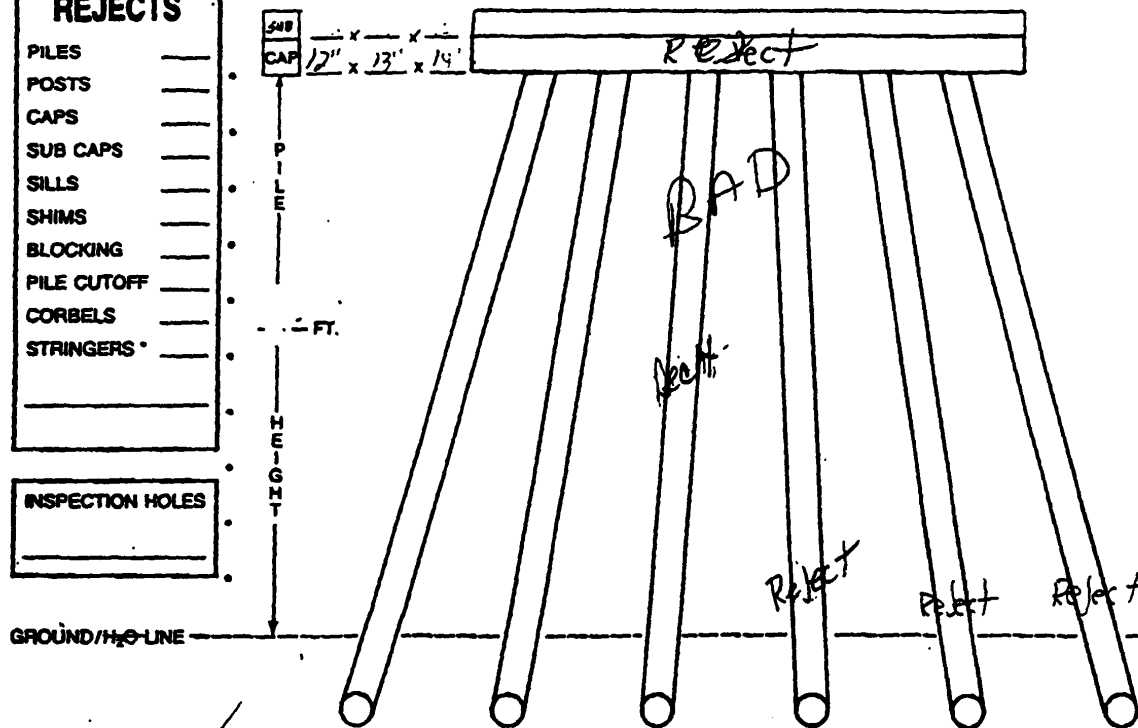
TIMBER BRIDGE INSPECTION AND TREATING REPORT

Owner CSX TRANSPORTATION Date Inspected 6-19-02
 Bridge No. 011 223.3 Bents No. 11 Foreman J. S. Hood

MEMBERS CLASSIFIED
REJECTS

PILES _____
 POSTS _____
 CAPS _____
 SUB CAPS _____
 SILLS _____
 SHIMS _____
 BLOCKING _____
 PILE CUTOFF _____
 CORBELS _____
 STRINGERS _____

INSPECTION HOLES



File No. Facing N S E W _____
 Average Diameter _____
 Condition Above Ground/H₂O _____
 Groundline Work _____
 Dia. Sound Wood Below Groundline _____
 Approx. Length to Post _____

REMARKS:

SYMBOLS
 C - Coasting
 DP - Decay Pocket
 DR - Decay Ring
 EXC - Excavation
 GL - Ground Line
 H - Heat
 MD - Mechanical Damage
 NT - Not Treated
 PP - Previously Peated
 PX - Previous Peeling
 S - Side of Main Shell
 SR - Shell Rot
 TR-A - Composites
 TR-B - CL-40-RTU
 TR-C - Treated
 TR-D - Cap-A-Pole
 TR-E - Micro-Pipe
 I - Inspected Only
 V - Void
 WPH - Woodpecker Hole
 X - Reject
 * See Stringer Report

OPTIONAL ITEMS		INT.	EXT.	EXCAVATION	
PILES G/L	TR.			EXC. G/L	EA.
PILES	TR.			EXC. BRACEBOLT	EA.
POSTS	TR.			EXC. CUT OFFS	EA.
CAPS	TR.			EXC. DUMP BENT	EA.
SUB CAPS	TR.			EXC. SILLS	EA.
SHIMS	TR.				
SILLS	TR.			H ₂ O PROTECT	EA.
BLOCKING	TR.			OPTIONAL ITEMS	INT. EXT.
CORBELS	TR.				
STRINGERS	TR.				

EXHIBIT C



January 16, 2002

Mr. H. Leeroy Davidson, Reg. Br. Eng.
CSX TRANSPORTATION, INC.
1701 E. Market Street
Jeffersonville, IN 47131

Dear Mr. Davidson:

Please consider this letter an estimate to complete repairs to the 10 panel ballast deck timber bridge at Milepost 223.5 on the Cordova Branch in Memphis, TN.

Based on our recent site visit, the repairs as listed below are required to return the bridge to service. Due to the type of bridge, ballast deck timber trestle, we are not able to give a lower cost for repairs at the bridge designed to last 10 years versus 20 years. Our estimate is valid for 10 years or 20 years.

Repair 10 panel ballast deck bridge at MP 223.5 on the Cordova Branch - Memphis, TN

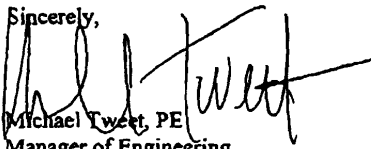
1. Bent 0, cut pile tops and replace cap. Excavate and post out 2 pile - 4 ft tall.
2. Bent 1, 2 pile to excavate and post out at 8 ft tall. Cut pile tops and replace cap.
3. Bent 2, excavate and post out 2 pile at 10 ft tall. Cut pile tops and replace cap.
4. Bent 3, chip out concrete floor and frame out bent at 25 ft tall, 6 pile to be replaced.
5. Bent 4, chip out concrete floor and post out 3 pile. Cut pile tops and replace cap.
6. Bent 5, excavate/chip and post out 4 pile. Cut pile tops and replace cap.
7. Bent 6, excavate/chip and post out 3 pile. Cut pile tops and replace cap.
8. Bent 7, 2 pile to post. Cut pile tops and replace cap.
9. Bent 8, 1 pile to post. Cut pile tops and replace cap.
10. Bent 9, excavate and post 2 pile at 7 ft. Cut pile tops and replace cap.
11. Bent 10, excavate and post 3 pile. Cut pile tops and replace cap.
12. Remove existing reject timber stringers and deck and replace per CSX details.

Estimated Costs:

Mobilization, Labor & Equipment	\$175,000.00
Materials	<u>\$ 90,000.00</u>
Total Estimate	\$265,000.00

Please note, the costs are an estimate only and are based on the bridge remaining out of service until repairs are complete. If we can provide you with any further information, please do not hesitate to contact us. We will be glad to provide you with a formal proposal to complete these repairs.

Sincerely,


Michael Tweet, PE
Manager of Engineering

cc: E Lewis

Osmose, Inc.
Railroad Division
4546 Tompkins Drive • P.O. Box 8276 • Madison, WI 53708-8276
608-221-2292 • 800-356-5952 • Fax 608-221-0618

APPENDIX 2

VERIFIED STATEMENT OF

BOBBIE LEAGUE

My name is Bobbie J. League and I am currently employed as AVP Asset Management for CSX Transportation, Inc. ("CSXT"), 500 Water Street, J200, Jacksonville, Florida 32202. My duties include projects related to line sales and abandonments before the Surface Transportation Board. I began my railroad career with CSXT in April, 1980 as a communications clerk. Since that time, I have served many different positions within CSXT, my last three were Director-CSXT Credit Department, Senior Manager-Asset Management, and Manager-Service Design.

I have been involved with CSXT's Memphis Discontinuance Application, Finance Docket No. AB-55 (Sub-No. 618), *CSX Transportation, Inc.—Discontinuance—at Memphis. In Shelby County, TN* and CSXT's discussions with the customer on the line, Bolen-Brunson-Bell Lumber Company, Inc. ("BBB"). The purpose of this affidavit is to outline the attempts that CSXT has made to accommodate BBB. CSXT has made tremendous efforts over the past year and a half to work with BBB. To date, the parties have been unable to find a solution that is economically feasible and agreeable for both CSXT and BBB. This is not for any lack of effort. The fact is that service to BBB is cumbersome and the traffic is not profitable. These facts combined with the significant capital requirements on the line have made it difficult, if not impossible, to devise a mutually beneficial means of continuing direct rail service to the BBB facility.

Because of the deteriorated condition of the bridge that crosses Cypress Creek at milepost ONI 223.3 (the "Bridge"), CSXT embargoed the line serving BBB between milepost ONI 224.0, at Memphis, TN and milepost ONI 222.9 on or about March 1, 2001

(the "Line"). Unfortunately, it is necessary to traverse the Bridge to reach the BBB facility. Because the necessary repairs to the Bridge are cost-prohibitive considering historic levels of traffic, CSXT ultimately determined to seek authority to discontinue service over the line. Before making such decision, however, CSXT made numerous attempts to find an economical means of providing continued rail service to BBB on the Line or at a nearby location. After discussing the matter with BBB over the course of approximately six months, CSXT filed a Petition for Exemption to abandon the Line. This Petition was denied by the Board and CSXT continued discussions with BBB as CSXT prepared to file a full Application requesting permission to discontinue service over the Line. Below is a summary of the conversations between CSXT and BBB that occurred prior to the filing of the Discontinuance Application.

During March, 2001, immediately after the embargo was implemented, CSXT was involved in conversations with BBB regarding the transportation of BBB traffic that was in transit at the time of the embargo as well as operations going forward. The cars in transit were transloaded from CSXT's Memphis Leewood Yard for delivery to BBB. The parties had discussions regarding BBB's permanent use of Leewood Yard for future traffic.

During April and May of 2001, CSXT investigated internally what could be done to assist BBB from a transload perspective on an ongoing basis. On or about May 28, 2001, Bill Provident, Director of Product Performance for CSXT, contacted Mr. Bell, the owner of BBB, to discuss the continued use of Leewood Yard for unloading BBB traffic. Mr. Bell indicated that he was amenable to that option if a storage area was made available. On May 30, 2001, Bill Provident and the local CSXT Trainmaster met with

Mr. Bell and the manager of BBB. CSXT suggested setting up a permanent area at Leewood Yard for the delivery of BBB's railcars. CSXT noted that service would improve from one to two days per week to five days per week at a minimum. In response, BBB indicated that it would consider this option but that it would need: (1) three to four acres of property for ground storage; (2) space to build a covered area to protect weather sensitive goods; and (3) accommodations or a trailer for personnel use (collectively referred to herein as the "General BBB Relocation Requirements"). CSXT identified an area within the yard that could be used for such purposes and the parties continued investigating this alternative.

Again on August 16, 2001, Mike Kotula, Director of Product Performance for CSXT, met with representatives of BBB. It was determined that in order to make this work, CSXT would need to provide property to BBB and extend to certain tracks within Leewood Yard to handle the extra BBB cars. Although BBB seemed willing to basically relocate its reload operation to Leewood Yard in accordance with the General BBB Relocation Requirements, BBB indicated that it was unwilling to absorb any of the additional costs required to transfer the operation to Leewood Yard. This decision was made despite the opinion of BBB that the relocation would not only assist the survival of the reload operation but could actually help expand the business. At a time when the parties realized that it was an option to move the BBB reload business to Leewood Yard, CSXT filed a Petition for Exemption to abandon the Line on August 24, 2001.¹ During November, 2001, however, CSXT realized that it would cost approximately \$387,500 to extend the track and provide the General BBB Relocation Requirements including the

construction of a covered shed. In that CSXT understood that BBB was unwilling to participate in sharing the costs, it did not make economic sense for CSXT to make the improvements to relocate BBB since the costs would be higher than the cost to repair, or even replace, the Bridge on the line. As a result, CSXT did not pursue this option any further with BBB. BBB opposed CSXT's Petition for Exemption and it was denied by the Board.

At this point, I am considering the fairness of BBB's position. In the Discontinuance Application, BBB filed a Petition to Stay and Reopen, arguing, among other things, that CSXT should invest at least \$214,500 to repair the Bridge and earn a profit of \$4,720 per year. On the other hand, BBB never offered to invest² a maximum of \$400,000 to allow BBB to continue to earn its claimed profit of \$100,000 per year.

CSXT continued to search for options to assist BBB. On February 8, 2002, CSXT representatives including Peter J. Shudtz (Senior Vice President-Law), Mike Kotula (Director of Product Performance), and Greg Wallen (Trainmaster) highrailed the line with representatives from the Paducah & Louisville Railway, Inc. (the "P&L") to explore whether or not the P&L would be interested in providing rail service to BBB. CSXT understands that the P&L made several trips to the Memphis area in order to survey the line and investigate additional traffic opportunities. Unfortunately, P&L ultimately determined that the operation was not one that they were interested in.

¹ Docket No. AB-55 (sub-No. 590X), *CSX Transportation, Inc.—Abandonment Exemption—(Between Memphis and Cordova) in Shelby County, TN* (the "Abandonment Petition").

² Negotiations never reached the point where CSXT and BBB discussed how much each party would be willing to invest in the General BBB Relocation Requirements. I believe that CSXT would have made a reasonable contribution to the facility.

CSXT sent two additional representatives, Michael Gilligan (Director-Asset Management) and Jim O'Donnell (Director-Pricing) to meet with BBB on April 10, 2002. During this meeting CSXT and BBB discussed, among other things, the potential for BBB to rehabilitate the Bridge with CSXT offering certain refunds on traffic over time to help defray the cost. The only viable means of making this option work would have been for BBB to find a way to ship more traffic via CSXT through Chicago. Two follow up calls were held with BBB to investigate this option further on April 18, 2002 and June 7, 2002. It was ultimately determined that a refund program was not feasible. These meetings and discussions, however, related to rehabilitating the Bridge and continuing to serve BBB directly. As such, this undercuts BBB's contention that all along, CSXT made it clear that it had no intention of restoring service to the line. CSXT explored every feasible alternative to assist BBB from relocating the operation to restoring service on the line. There was no alternative that appeared to be a "win-win." As such, CSXT had no reasonable alternative other than to seek authority from the Board to discontinue service on the line.

VERIFICATION

I, Bobbie J. League, verify under penalty of perjury under the laws of the United States that the foregoing is true and correct. Further, I certify that I am qualified and authorized to file this Verified Statement.

Executed November 8th, 2002.

Bobbie J. League
Bobbie J. League

APPENDIX 3

DOCKET NO. AB-55 (Sub-No. 618)

CSX TRANSPORTATION, INC.
--DISCONTINUANCE--
AT MEMPHIS, IN SHELBY COUNTY, TENNESSEE

VERIFIED STATEMENT OF ELLEN M. PRESLAR

My name is Ellen M. Preslar, and I am Senior Manager - Costing for CSX Transportation, Inc. (CSXT). My business address is 500 Water Street (J200), Jacksonville, Florida 32202. I have been employed by CSXT and its predecessors since June 1978. The responsibilities of my present position include the development and analysis of cost data for regulatory purposes. My educational qualifications include a Bachelor of Arts degree in Mathematics from Jacksonville University and a Master of Business Administration degree from the University of North Florida.

I am familiar with the facts and issues in this proceeding as the Subsection (d) Revenue and Cost Data of the application filed in this proceeding were compiled, assembled, and prepared under my direction, using the basic information furnished by numerous departments of CSXT. The data submitted in this proceeding were developed in accordance with those rules and regulations as prescribed by the Surface Transportation Board and as appear in Title 49, Code of Federal Regulations, Part 1152, Subpart-D.

The purpose of my statement is to present and explain the revenue and cost data relative to the proposed discontinuance of service at Memphis, TN, between mileposts ONI 222.9 and ONI 224.0. Attached hereto as Exhibit 1 is information which reflects revenue and cost comparisons for the base year of operations, which is the twelve-month period ending December 31, 2000, for the forecast year, which is the twelve-month period beginning June 1, 2002, and for the subsidy year, which is the twelve-month period

ending September 30, 2003, in accordance with the regulations of this Board, with one exception.

As previously noted, the time frame for the base year is the twelve months ending December 31, 2000. The "base year" period is defined in Title 49, Code of Federal Regulations, Section 1152.2(c) as "...the latest 12-month period, ending no earlier than 6 months prior to the filing of the abandonment or discontinuance application, for which data has been collected at the branch level as prescribed in Section 1152.30(b)." The line segment under study has been out of service (embargoed) since March 1, 2001. No traffic has moved over this line segment since that time. In order to reasonably present revenue and cost data, the base year for this study has been defined as the most recent calendar year for which operations on the line segment were considered normal.

Exhibit 1 presents base year, forecast year and subsidy year revenues and expenses related to the line segment. Pro forma revenues and expenses for the forecast year beginning June 1, 2002 are based on operations similar to the base year period. The "forecast year" period is defined in Title 49, Code of Federal Regulations, Section 1152.2(h) as "...the 12-month period, beginning with the first day of the month in which the application is filed with the Commission, for which future revenues and costs are estimated." If the line were to return to operation for this period, CSXT could expect to show an avoidable loss of \$175,663 of pro forma revenues versus pro forma costs. Since this is an application for discontinuance of service, no economic costs are applicable to the forecast year period. The estimated subsidy has been projected on forecast year operations. When economic costs of \$9,487 are included in the analysis, the estimated

subsidy year loss from operations is \$184,104.

In the following pages, I shall provide a further explanation of the underlying components of the forecast year. Included as an attachment to this document are copies of (a) the workpapers used in my study and (b) CSXT's 2000 and 2001 unit cost notebooks, developed under my direction.

REVENUES ATTRIBUTABLE

The only customer on this line segment is Bolen Brunson Bell Lumber Company. Since the embargo was put in place on the segment, this customer has continued to receive carloads at CSXT's Leewood Yard. However, for purposes of this analysis, the base year carloads (year 2000 – prior to the embargo) are used.

A total of 54 terminating carloads of lumber and plywood and 144 carloads switched for other carriers are included in the forecast year period. The forecast year carloads are considered to have traffic characteristics similar to the carloads in the base year. The freight revenues amount to \$95,290 for the 54 carloads in the forecast year period. Switch revenues amount to \$34,705 for the 144 switched carloads. Additional details on forecast year revenue calculations are available in my workpapers.

In addition to switch revenues, no other miscellaneous revenues are attributable to this segment in the base year period. No demurrage revenues or lease rental revenues are anticipated in the forecast year period. Therefore, no other miscellaneous revenue will be attributed to the forecast year period.

AVOIDABLE COSTS - ON BRANCH

The category known as AVOIDABLE COSTS is comprised of detailed "on-

branch costs" and general "off-branch costs." The on-branch costs are those costs associated with the operations on the line segment at issue, including operations considered overhead to the segment, but required to provide service on the segment. The basis for the computation of these costs is set forth in Section 1152.32 of Title 49, Code of Federal Regulations. These costs are delineated into subgroupings which reflect all operating costs associated with moving shipments over the line.

Operating statistics for the forecast year period have been based on actual base year operations over the line segment. The actual number of trips and locomotives, and average time on branch and related crew wages were determined for the calendar year 2000.

Only costs associated with the service on the branch are applied to this line segment. However, this service includes certain costs incurred due to movements between Leewood Yard and mile-post ONI 224.0, which are overhead to the branch. The trains that serve the line segment proposed for abandonment do not serve any patrons on that portion of the off-branch move from Leewood Yard to the beginning of the line segment. An adjustment has been made to remove those costs from total off-branch costs.

The operations necessary to provide service to the only patron on this segment (Bolen Brunson Bell Lumber Co.) are complex. Those operations are detailed in Mr. Moore's verified statement. The type of locomotive used in the development of forecast year costs is indicative of the type of locomotive actually used to serve the line segment during the base year period. A yard locomotive and yard crew are used for this service.

On-branch car day costs for the base year period are based on actual days spent on the line segment at issue, as retrieved from CSXT's computerized database of statistics. Base year car days, are used as a reasonable projection for the forecast year period. Also, car ownership in the forecast year is developed from car ownership trends in the base year period.

On-branch unit costs are developed from the 2000 CSXT Annual Report R-1 data for the base year period and from the 2001 CSXT Annual Report R-1 data for the forecast year and subsidy year periods. Off-branch unit costs are based on the Uniform Railroad Costing System (URCS) data for CSXT, year 2000, for all periods. These costs are the most current costs available to CSXT. The unit costs are indexed to reflect the expected cost levels for the forecast year and subsidy year periods. Supporting details for the unit cost development, their application to the statistics, and the indices are available in my workpapers.

Maintenance of Way and Structures:

The forecast year maintenance is composed of average annual expenditure of \$5,000 per mile (a total of \$5,500 for 1.1 miles) for operating and capital maintenance needs plus \$214,500 to repair the bridge at milepost ONI 223.3. Supporting detail for the bridge repair can be found in Mr. Davidson's verified statement. Total on-branch MWS expense is calculated to be \$220,000 for the forecast year period.

Maintenance of Equipment - Locomotive:

This item includes locomotive repairs based on a system average cost factor (\$11.41651) and cost index (0.995) applied to the on-branch locomotive unit hours (65

LUH). Locomotive depreciation is also reflected in this item based on a system average cost factor (\$4.71986) and cost index (0.997) applied to the on-branch locomotive unit hours (65 LUH). The cost factor for a yard locomotive is applied to total on-branch locomotive unit hours (LUH) and then indexed to the forecast year period. Total cost for this category is calculated to be \$1,044.

Transportation:

Included in this item are crew wages, cost of fuel, cost of servicing locomotives, and train inspection and lubrication. Crew wages totaling \$5,442.95 are calculated by applying a fringe factor to average base wages, developed from annual train hours required to serve the branch times the hourly rate for a three-man crew (effective 1/01/2001), and multiplying by a cost index of 1.007.

Fuel cost is determined by applying a unit cost of \$25.31, at the year 2001 level for 1500 to 1749 horsepower locomotives, to locomotive unit hours (65 LUH) and multiplying by an index factor of 0.836.

The cost of servicing locomotives is based on a system average unit cost (\$6.06104) and cost index (0.995) applied to on-branch locomotive unit hours (65 LUH).

The cost of train servicing is calculated by multiplying a system average unit cost (\$0.55003) by locomotive unit hours (65 LUH) and cost index (0.995). The total transportation cost is calculated to be \$7,246.

Freight Car Costs (other than Return on Value):

The following table reflects the calculation of the avoidable on-branch freight car costs, excluding return, both related to and unrelated to distance for the forecast year.

The time and mileage costs total \$709.

<u>Related to Distance</u>			
<u>Car type</u>	Car Miles	Unit Cost	Total Cost
Railroad			
Box-Plain,50'	6	\$0.06138	\$ 0.37
Box-Equipped	78	0.06891	5.37
Flat-Other	240	0.05619	<u>13.49</u>
			\$ 19.23
Cost Index			<u>0.995</u>
			\$ 19.13

<u>Unrelated to Distance</u>			
<u>Car type</u>	Car Days	Unit Cost	Total Cost
Railroad			
Box-Plain,50'	2	34.41199	\$ 68.82
Box-Equipped	26	9.92154	257.96
Flat-Other	80	4.58004	<u>366.40</u>
			\$693.18
Cost Index			<u>0.995</u>
			\$689.71

Return on Value - Freight Cars:

Forecast year return on value in freight cars of \$226 is determined on the basis of application of the 2001 nominal cost of capital (14.5 percent), with adjustment for

anticipated holding gains, to the depreciated replacement value of freight cars. The resulting unit cost by car type is applied to the forecast car days for each car type as shown in the following table. Details supporting the development of the unit costs per car are available in my workpapers.

<u>Car type</u>	Car Days	Unit Cost	Total Cost
Railroad			
Box-Plain,50'	2	0.20043	\$ 0.40
Box-Equipped	26	6.35290	165.18
Flat-Other	280	1.56306	<u>125.04</u>
			\$290.62
Holding Gain @ 3.2%			<u>64.14</u>
			\$226.48
Cost Index			<u>1.0</u>
			\$226.48

Return on Value - Locomotives:

As with freight cars, the forecast year return on value in locomotives of \$578 is determined on the basis of application of the 2001 nominal cost of capital (14.5 percent) to the depreciated replacement value of locomotives, with adjustment for anticipated holding gains. The unit cost by type and size of locomotive (yard locomotive at \$8.89380) is applied to the locomotive unit hours (65 LUH). Allowance is made for holding gains at 3.2 percent. No index values were applied. Details supporting the development of the unit costs per locomotive are available in my workpapers.

Overhead Movement:

Because the train performs no work other than service to the branch when moving between Leewood Yard and milepost ONI 224.0, locomotive, fuel, and crew costs associated with this overhead movement should be included as a cost attributable to the line segment at issue. These costs are shown as a separate line item; however, that line item incorporates all costs categorized as overhead. These costs include locomotive repair and depreciation, locomotive return on value, crew wages, fuel expense, and locomotive servicing. As previously noted, adjustments were made to exclude these costs from the off-branch cost calculations.

AVOIDABLE COSTS - OFF BRANCH

As the name suggests, "off-branch costs" are those costs incurred by CSXT on its other lines in transporting rail shipments to and from the line segment at Memphis, TN. The off-branch costs reflect the costs by car type, weight and distance to/from a CSXT destination, origin, or interchange point not located on the branch line. Computation of off-branch costs is in accordance with procedures contained in Section 1152.32(n) of Title 49, Code of Federal Regulations.

In order to compute the off-branch costs associated with forecast movements to and from the subject line, all traffic is grouped into specific car types and weights. In general, the unit costs used to compute off-branch costs (excluding freight car costs) result from the application of the 2000 URCS formula, which is used in determining rail freight service costs, to the data contained in the railroad's Annual Report R-1, which is filed with this Board. These off-branch costs are indexed to the forecast year period

(1.021).

Freight car costs are not computed on the basis of URCS. Instead, the same unit costs are used for both on-branch and off-branch freight car costs with one exception. The off-branch return on value for freight cars is developed using the 2001 real cost of capital at 11.3 percent which avoids the need for developing holding gains. Details supporting the development of the unit costs per car are available in my workpapers. These unit costs are then applied to URCS-related off-branch statistics as if they were URCS-developed unit costs. Freight car costs have been developed at the 2001 level and are indexed to the forecast year period (0.995).

In computing the off-branch costs in this proceeding, I followed each of the steps outlined in Section 1152.32(n). The off-branch miles have been adjusted to avoid a double count of costs related to the overhead train movement required to reach the line segment at issue, as noted above. In addition, I have made adjustments to reflect the efficiencies of moving multiple-car and train-load/unit-train shipments. Likewise, I have included a make-whole adjustment to reflect the inefficiencies of transporting single carload shipments. The adjustments are generally accepted in costing, based on adjustments found valid in Investigation of Railroad Freight Rate Structure - Coal, Ex Parte No. 270 (Sub-No. 4), decision served March 14, 1975, and have been approved in a joint decision embracing Ex Parte No. 399, Cost Recovery Percentage, and Ex Parte No. 431 (Sub-No. 2), Review of the General Purpose Costing System, served March 1, 1993.

In a prior CSXT abandonment application, ICC Docket No. AB-55 (Sub-No. 389), CSX Transportation, Inc. -- Abandonment Between Dayton and Arcanum -- In

Darke, Preble, and Montgomery Counties, OH, filed July 31, 1991, samples of the off-branch cost computations were attached as Appendices 2A, 2B, and 2C. These samples showed how a value for off-branch cost is calculated by URCS Phase III, with adjustments for modified terminal, freight car costs, and make-whole factors. Also, a copy of the manual process through which costs may be calculated and the results of a mainframe computer program were shown to agree with each other and with the URCS Phase III costs with adjustments. The mainframe computer program is CSXT's predominant method for calculation of historical off-branch costs. The manual method is used when the carloads are hypothetical. Appendix 2A demonstrated a single carload interline movement in railroad equipment. Appendix 2B presented a multiple car shipment in railroad equipment with routing local to CSXT. Appendix 2C showed the same movement as Appendix 2B except that the equipment was privately owned. The off-branch cost methodology used in the development of costs in that filing is applicable here; however, the 2000 URCS was used to cost the year 2000 movements. My workpapers include a manual check of the computer program's calculation in this study.

RETURN ON VALUE

The return on value calculation is deemed not applicable for the forecast year period under the discontinuance of service scenario. However, the subsidy calculation should account for opportunity costs. The investment base is comprised of (1) working capital of \$9,764 based on 15 days' worth of on-branch costs in the forecast year excluding depreciation and return on value, (2) income tax consequences as described below, and (3) net liquidation value for track assets of \$28,400 (as detailed by an outside

contractor through CSXT's Engineering Department) plus land value of \$107,600 (as furnished by CSX Real Property). The income tax consequences are developed by applying the statutory tax rate of 37 percent (federal plus an allowance for state) to the net amount of the track and land values of \$136,000. This calculation results in a tax liability of \$50,320 to CSXT. Total valuation of property (investment base) is \$95,444.

The 2001 nominal cost of capital of 14.5 percent is applied to the total investment base. The net liquidation value is adjusted for a holding gain projected to occur in the forecast year. In calculating holding gains, CSXT has used a figure of 3.2 percent, developed using the most recent annual GDP implicit price deflator. Total Return on Value is \$9,487.

In conclusion, Exhibit 1, attached hereto, demonstrates that the continued operation of the line at Memphis, TN, between mileposts 0NI 222.9 and 0NI 224.0, constitutes a burden upon interstate commerce. In turn, this situation contributes to the revenue inadequacy of CSXT.

As the predecessor of this Board has recognized, the Staggers Rail Act established as one of its principal goals the achievement of revenue adequacy in the rail industry. One should note that in this Board's decision in Ex Parte No. 558 (Sub-No.5), Railroad Cost of Capital - 2001, served June 20, 2002, the current nominal after-tax cost of capital for 2001 was found to be 10.2 percent. In Ex Parte No. 558 (Sub-No.4), Railroad Cost of Capital - 2000, served June 29, 2001, the nominal after-tax cost of capital for 2000 was found to be 11.0 percent. As shown in Ex Parte No. 552 (Sub-No. 5), Railroad Revenue Adequacy - 2000 Determination, served July 25, 2001, CSXT's comparable rate of return

was found to be 3.6 percent. CSXT only achieved 32.7 percent of the 11.0 percent yardstick that the Board has used to determine revenue adequacy. Thus, during 2000, CSXT was revenue inadequate. When the Board issues its 2001 Revenue Adequacy decision, CSXT expects to be recognized as revenue inadequate once again.

Obviously, CSXT must be permitted to better utilize its plant in order to recover the cost of providing rail service, which includes a profit equal to that which is available from alternative investments exhibiting similar risks. Therefore, I urge the Board to approve the discontinuance of service so that sorely needed capital can be released from this operation and be reinvested elsewhere to help provide a more profitable, sound transportation system.

VERIFICATION

STATE OF FLORIDA)
)
COUNTY OF DUVAL)

ELLEN M. PRESLAR, being duly sworn, deposes and says on oath that she is Senior Manager - Costing, CSX Transportation; that she has read the foregoing statement and knows the contents thereof, and the same are true as stated.

Ellen M. Preslar

ELLEN M. PRESLAR
Senior Manager - Costing
CSX Transportation, Inc.
500 Water Street (J200)
Jacksonville, FL 32202

Subscribed and sworn to before me
this 26th day of June, 2002.

Barbara L. Jernigan
Notary Public

My Commission Expires:

(SEAL)



CSX Transportation, Inc. — Discontinuance of Service
Line Segment: Memphis, TN (Mileposts ONI 222.9 to ONI 224.0)

	O/T — Switch —	Base Year* (Yr 2000)	Forecast Year (Begin 06/01/02)	Projected Subsidy Year (End 09/30/03)
		54 CL 144 CL	54 CL 144 CL	54 CL 144 CL
Revenues Attributable				
1. Freight Originated &/or Terminated On Branch		\$ 89,896	95,290	97,088
2. Bridge Traffic		-	-	-
3. All Other Revenue and Income		31,088	34,705	34,705
4. Total Revenues Attributable (Lines 1 thru 3)		\$ 120,984	\$ 129,995	\$ 131,793
Avoidable Costs				
5. Total On-Branch Costs (Lines 5a thru 5k)		\$ 24,563	\$ 238,727	\$ 238,843
a. Maintenance of Way and Structures		5,500	220,000	220,000
b. Maintenance of Equipment - Locomotives		938	1,044	1,052
c. Transportation		7,386	7,246	7,293
d. Joint Facilities		-	-	-
e. Deadheading, Taxi and Hotel		-	-	-
f. Overhead Movement		8,972	8,924	8,979
g. Freight Car Costs (o/t Return on Freight Cars)		752	709	715
h. Return on Value - Locomotives		647	578	578
i. Return on Value - Freight Cars		368	226	226
j. Revenue Taxes		-	-	-
k. Property Taxes		-	-	-
6. Total Off-Branch Costs (Lines 6a and 6b)		\$ 64,850	\$ 66,931	\$ 67,567
a. Off-Branch Costs (o/t Return on Freight Cars)		62,702	65,623	66,259
b. Return on Value - Freight Cars		2,148	1,308	1,308
7. Total Avoidable Costs (Lines 5 and 6)		\$ 89,413	\$ 305,658	\$ 306,410
Subsidization Costs				
8. Rehabilitation		xxxx	xxxx	-
9. Administration Costs		xxxx	xxxx	-
10. Casualty Reserve Account		xxxx	xxxx	-
11. Total Subsidization Costs (Lines 8 thru 10)		xxxx	xxxx	\$ -
Return on Value				
12. Valuation of Property (Lines 12a thru 12c)		xxxx	N/A	\$ 95,444
a. Working Capital		xxxx		9,784
b. Income Tax Consequences		xxxx		(50,320)
c. Net Liquidation Value		xxxx		136,000
13. Nominal Rate of Return		xxxx		14.5%
14. Nominal Return on Value (Line 12 * Line 13)		xxxx		13,839
15. Holding Gain (Loss)		xxxx		4,352
16. Total Return on Value (Line 14 less Line 15)		xxxx	\$ -	\$ 9,487
17. Avoidable Loss from Operations (Line 7 less Line 4)		\$ (31,571)	\$ 175,663	\$ 174,617
18. Estimated Forecast Year Loss from Operations (Lines 7 and 16 less Line 4)			\$ 175,663	
19. Estimated Subsidy Year Loss from Operations (Lines 7, 11 and 16 less Line 4)				\$ 184,104

BEFORE THE
SURFACE TRANSPORTATION BOARD

DOCKET NO. AB-55 (SUB-NO. 618)

CSX TRANSPORTATION, INC.
- DISCONTINUANCE -
AT MEMPHIS, IN SHELBY COUNTY, TENNESSEE

REBUTTAL VERIFIED STATEMENT
OF ELLEN M. PRESLAR

My name is Ellen M. Preslar. I am the same Ellen M. Preslar who previously sponsored a verified statement in this proceeding which was filed with the Applicant's Opening Statement of Facts and Argument, dated July 10, 2002.

The purpose of this rebuttal verified statement is to address certain issues raised in the protest filed by Bolen-Brunson-Bell Lumber Company, Inc. (BBB), on or about August 23, 2002 (the "Protest"). In this statement, I will address certain avoidable cost issues raised by BBB including: (1) return on value of freight cars; (2) use of bridge repair costs; and (3) return on value of rail line assets. I will also address the costing of reciprocally switched cars in light of the actual operations required to deliver these cars to BBB. Attached is Revised Exhibit 1, setting out the unchanged avoidable revenues and revised avoidable costs relative to the discontinuance of service over the 1.1-mile line between milepost ONI 224.0 and milepost 222.9 (the "Line"). Finally, I will address evidence of recent BBB transloading at CSXT's Leewood Yard.

A. Recalculation of Avoidable Costs.

(1) Return on Value of Freight Cars.

In Exhibit 1 to the discontinuance application, I developed freight car costs as allowed by the regulations. However, BBB pointed out that "... ownership costs would not be applied to

foreign-owned cars [when] a very substantial majority of the cars used on the branch were foreign-owned." *CSX Transportation, Inc. – Aban. – in Thomas and Colquitt County, GA*, ICC Docket No. AB-55 (Sub-No. 181), (ICC served June 8, 1987). However, simply removing the return on value for freight cars in items 5(i) and 6(b) of Exhibit 1, as done by BBB in the Protest at page 7, understates car costs because there are car costs involved. Therefore, use of foreign-car per diem and mileage costs in items 5(g) and 6(a) of Revised Exhibit 1 would be more appropriate in this cost analysis. As such, I have restated freight car costs, both on-branch (item 5(g)) and off-branch (item 6(a)), to reflect use of UMLER rates for the specific foreign cars.

In preparing this change, I became aware of an inadvertent error on my part: I used the on-branch miles column from my data printout in place of the on-branch days column which was adjacent to it. I have corrected that error within the recalculation of foreign freight car costs.

(2) Use of Bridge Repair Costs.

Bridge repair costs have been retained in the subsidy year calculation. In order to operate over the bridge at milepost 223.3, CSXT must make those repairs.

(3) Return on Value of Rail Line Assets.

Although opportunity costs are not applicable in the forecast year period, CSXT does believe that such costs are applicable in the subsidy year period. If the line were to be subsidized, the inclusion of opportunity costs in the calculation of the annual subsidy would be appropriate because subsidization limits the railroad's options to only one option: continued service. A subsidy would restrict CSXT from realizing potential opportunities during the subsidy period. Therefore, I have not changed the return on value of rail line assets.

B. Costing of Reciprocally Switched Cars.

The accompanying rebuttal verified statement of Mr. Greg Wallen explains CSXT's actual operation required to deliver cars to Leewood Yard in order to forward them to BBB (as explained in the application by Mr. Donnie Moore). In my previous analysis, I did not factor in the costs required to move cars from other Class I rail yards in the Memphis area to CSXT's Leewood Yard. For purposes of the initial application, I only incorporated the costs incurred in delivering cars to BBB from the time that the cars had arrived in Leewood Yard. Upon further information, that analysis significantly underestimated the actual costs incurred in serving BBB. Because no local transfer service is available in the Memphis area, cars delivered to either the BNSF, UP or CN/IC yards (the majority of the traffic) for ultimate delivery to BBB are taken by CSXT on through trains all the way to Nashville where they are humped and placed on a train destined for Leewood Yard. Because of this operation, I have added off-branch costs that were not previously included in my analysis. Specifically, I have added line-haul costs (miles from Memphis to Nashville and back to Memphis), switching costs (interchange at Memphis and I&I at Nashville), and clerical costs (CLOR, per carload) for the 144 switched cars in the base year and the forecast/subsidy year periods to the total off-branch costs.

C. BBB Reloading Business.

I reviewed CSXTs' waybill files for all cars of lumber forwarded to Leewood Yard for BBB's account in the past three months (June, July and August 2002). The attached Exhibit 2 shows the car number, dates the car was placed and pulled for BBB at Leewood Yard, switch or line-haul waybill identification, and the consignee. As can be seen, BBB was not the consignee on any of these cars. These cars were being delivered in care of BBB for transloading to the consignee. As BBB said "BBB would receive carloads of lumber by rail at its place of business,

and reload the lumber onto trucks for delivery to retail dealers in the tri-state Memphis area ... who lack the ability to receive lumber directly by rail.” Protest at 76. According to this data, BBB is still receiving railcars and reloading lumber for retail dealers who lack direct rail service, not at its place of business, but in Leewood Yard.

D. Return on Investment Finally, as noted in my initial verified statement in this proceeding, CSXT must be permitted to earn a 14.5 percent rate of return on its investment in the Line, as directed by 49 CFR 1152.34, not the prime rate as proposed, without justification, by BBB.

CSX Transportation, Inc. -- Discontinuance of Service
Line Segment: Memphis, TN (Mileposts ONI 222.9 to ONI 224.0)

REVISED: includes off-branch costs associated with handling of switch moves; changes car cost to foreign car per diem; excludes bridge rehab in forecast year.		O/T -- Switch --	Base Year* (Yr 2000)	Forecast Year (Begin 06/01/02)	Projected Subsidy Year (End 09/30/03)
			54 CL 144 CL	54 CL 144 CL	54 CL 144 CL
<u>Revenues Attributable</u>					
1. Freight Originated &/or Terminated On Branch			\$ 89,896	95,290	97,088
2. Bridge Traffic			-	-	-
3. All Other Revenue and Income			31,088	34,705	34,705
4. Total Revenues Attributable (Lines 1 thru 3)			\$ 120,984	\$ 129,995	\$ 131,793
<u>Avoidable Costs</u>					
5. Total On-Branch Costs (Lines 5a thru 5k)			\$ 30,656	\$ 30,505	\$ 245,115
a. Maintenance of Way and Structures			5,500	5,500	220,000
b. Maintenance of Equipment - Locomotives			938	1,044	1,052
c. Transportation			7,386	7,246	7,293
d. Joint Facilities			-	-	-
e. Deadheading, Taxi and Hotel			-	-	-
f. Overhead Movement			8,972	8,924	8,979
g. Freight Car Costs (o/t Return on Freight Cars)			7,213	7,213	7,213
h. Return on Value - Locomotives			647	578	578
i. Return on Value - Freight Cars			-	-	-
j. Revenue Taxes			-	-	-
k. Property Taxes			-	-	-
6. Total Off-Branch Costs (Lines 6a and 6b)			\$ 134,130	\$ 136,773	\$ 138,032
a. Off-Branch Costs (o/t Return on Freight Cars)			134,130	136,773	138,032
b. Return on Value - Freight Cars			-	-	-
7. Total Avoidable Costs (Lines 5 and 6)			\$ 164,786	\$ 167,278	\$ 383,147
<u>Subsidization Costs</u>					
8. Rehabilitation			xxxx	xxxx	-
9. Administration Costs			xxxx	xxxx	-
10. Casualty Reserve Account			xxxx	xxxx	-
11. Total Subsidization Costs (Lines 8 thru 10)			xxxx	xxxx	\$ -
<u>Return on Value</u>					
12. Valuation of Property (Lines 12a thru 12c)			xxxx	N/A	\$ 95,444
a. Working Capital			xxxx		9,764
b. Income Tax Consequences			xxxx		(50,320)
c. Net Liquidation Value			xxxx		136,000
13. Nominal Rate of Return			xxxx		14.5%
14. Nominal Return on Value (Line 12 * Line 13)			xxxx		13,839
15. Holding Gain (Loss)			xxxx		4,352
16. Total Return on Value (Line 14 less Line 15)			xxxx	\$ -	\$ 9,487
17. Avoidable Loss from Operations (Line 7 less Line 4)			\$ 43,802	\$ 37,283	\$ 251,354
18. Estimated Forecast Year Loss from Operations (Lines 7 and 16 less Line 4)				\$ 37,283	
19. Estimated Subsidy Year Loss from Operations (Lines 7, 11 and 16 less Line 4)					\$ 260,841

VERIFICATION

I, Ellen M. Preslar, verify under penalty of perjury under the laws of the United States that the foregoing is true and correct. Further, I certify that I am qualified and authorized to file this Verified Statement.

Executed September 5, 2002

Ellen M. Preslar
Ellen M. Preslar