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BEFORE THE
SURFACE TRANSPORTATION BOARD

DUKE ENERGY CORPORATION,

Complainant,

v.

NORFOLK SOUTHERN RAILWAY COMPANY,

Defendant.



STB Docket No. 42069

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SUPPLEMENTAL EVIDENCE OF
DEFENDANT NORFOLK SOUTHERN RAILWAY COMPANY

PUBLIC VERSION

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I. INTRODUCTION AND SUMMARY

Norfolk Southern Railway Company (“NS”) respectfully submits this Supplemental Evidence, as directed by the Board in its Order served on October 10, 2003, in the above-captioned maximum rate reasonableness proceeding (the “October 10 Order”). As NS demonstrated in its evidence and Brief, and as the October 10 Order recognizes, Complainant Duke rerouted substantial volumes of crossover traffic (i.e. traffic that is not local to the SARR). See, e.g., NS Brief at 16-17; NS Reply III-A-43 to 44, 54 to 59.¹

For purposes of a stand-alone cost calculation, two broad categories of costs are affected by Duke’s rerouting of traffic: investment costs and operating expenses. NS has determined that, if Duke’s reroutes of crossover traffic were disallowed, the ACC could realize a net reduction in investment costs of up to \$49.8 million. Elimination of the reroutes would likewise cause a net operating expense reduction of up to \$22.3 million per year.² The parties previously submitted (NS in its Reply, and Duke on Rebuttal) their respective calculations of the revenues attributable to Duke’s rerouting of crossover traffic. Depending on whether the Board adopts NS’ method of allocating interline traffic revenues, or Duke’s proffered method, evidence in the existing record shows that base-year revenues attributable to the rerouting of crossover traffic are either \$31.2 million (under NS’ enhanced mileage prorated revenue allocation method) or \$35.4 million

¹ Duke has admitted that most of the approximately [REDACTED] tons per year that it rerouted increased the length of haul by 240 to 400 miles. In many cases, Duke’s rerouting decisions more than doubled the miles the traffic would travel on the SARR in the absence of such rerouting. See Letter from Christopher A. Mills to G. Paul Moates (June 11, 2002), Duke Reb. WP 6722-33 (copy attached hereto as NS Supp. Exhibit 1); NS Reply at III-A-43 to 59 and Appendix C.

² This estimate is very conservative because it does not include all of the off-SARR costs imposed on the residual NS by Duke’s rerouted crossover traffic (e.g. only a portion of additional off-SARR investment costs are included, and none of the additional off-SARR operating expenses are captured in this calculation). See *TMPA v. BNSF*, STB Doc. 42056 (March 24, 2003), slip op at 21-22, 25; see also n. 8, infra.

(under Duke's method). See Duke Reb. III-A-72 to 73. The net result of these adjustments is a slight increase in the amount by which SARR costs exceed SARR revenues in the first two years of the DCF period, and slight reductions in the annual net excess of stand-alone costs over stand-alone revenues for the remainder of the period. See Table VI, infra. Thus, eliminating the costs and revenues attributable to the rerouted crossover traffic would reduce the cumulative present value (over the 20-year DCF period) of the excess of stand-alone costs over stand-alone revenues by 1.3% [REDACTED] Compare NS Reply Exh. III-H-1 with NS Supp. Elec. WP "Exhibit III-H-1 No Reroutes"; see also Table VI, infra. Exclusion of the costs and revenues of the rerouted portions of crossover traffic would thus have no material effect on the appropriate overall result in this case: both with and without the rerouted crossover traffic, stand-alone costs exceed stand-alone revenues by a wide margin. Therefore, the challenged rates are reasonable, and no rate prescription is warranted.

II. REVENUES GENERATED BY CROSSOVER TRAFFIC REROUTED OVER THE SARR

Determining the revenues attributable to Duke's rerouted crossover traffic does not require additional evidence or analysis. The only dispute regarding the amount of revenues attributable to that traffic concerns the appropriate method of allocating those revenues between the SARR and the residual incumbent (NS). That issue has been thoroughly addressed in the parties' evidentiary submissions. See, e.g., NS Reply III-A-43 to 59, Appendix C.

Based on the "rerouted crossover traffic" that Duke identified in an attachment to its June 11, 2002 letter (see NS Supp. Exh. 1, Duke Reb. WP 6722-33), NS calculated the incremental revenues attributable to Duke's reroutings. See NS Reply III-A-54 to 59. To make this calculation, NS used Duke's own calculation of the increases in route mileage resulting from Duke's rerouting of traffic from: (i) the off-junctions (or gateways) the traffic would use if it

were routed as Duke asserted it would be in the absence of the rerouting created by Duke, to (ii) the new off-junction points Duke hypothesizes the ACC would use to interchange the rerouted traffic with the residual NS. See id. III-A-58 to 59; NS Supp. Exh. 1. NS removed the route miles added by Duke's circuitous and inefficient reroutes, and calculated the resulting reduction in ACC revenues, using the same approach (the enhanced mileage prorate method) used by NS to allocate revenues between the ACC and the residual NS on other ACC traffic. See NS Reply at III-A-54 to 59; NS Reply WP "NS contractrevprojtariffsmarshallrevisedreroute corrected.xls;" NS Reply WP "rev ACC Appendix 1.xls." NS showed that eliminating Duke's unreasonable and inefficient reroutings would reduce the ACC's base year (2002) revenues by \$31.2 million, and reduce the ACC's revenues over a 20-year period by an average of approximately \$25 million per year. Id. III-A-58 to 59³; see NS Reply Elec. WP "NS contractrevprojtariffsmarshallrevisedreroute corrected.xls" and "rev ACC Appendix 1.xls."⁴

³ As NS demonstrated in its Reply, much of the crossover coal traffic that Duke rerouted will cease to exist after December of this year (2003). It has been widely reported that Georgia Power has decided to switch from Central Appalachia coal to Powder River Basin coal for its Scherer plant, and has entered a long term contract with BNSF to transport coal for Scherer from the PRB. See, e.g., NS Reply WP III-A-1951 to 1963 (BNSF press release, news articles regarding BNSF contract to transport coal from PRB for Scherer plant); see also NS Reply III-A-30, 33-34. Beginning January 1, 2004, therefore, no coal bound for the Scherer plant would originate from SARR mine origins, or travel on the lines of the SARR. As a result of the Scherer re-sourcing alone, the volume of rerouted crossover traffic would decline by approximately [REDACTED] tons in 2004, and SARR coal volume (and revenue) projections should reflect that decline for the remaining 18 years of the DCF period. See NS Reply WP "ACC Coal Traffic Forecast NS Revised.xls," worksheet "ACC Coal Traffic Forecast," rows 498 to 511. Elimination of these [REDACTED] tons effectively reduces the volume of rerouted crossover traffic from more than [REDACTED] tons to approximately [REDACTED] tons for most of the DCF period. Duke has conceded this point, and it appears that Duke appropriately removed Scherer tons from its DCF on Rebuttal. See Duke Rebuttal Elec. WP "ACC Rebuttal Coal Traffic Forecasts.xls," rows 442-51.

⁴ NS discovered Duke's rerouting error too late to compute the costs attributable to this rerouted traffic. Thus, NS did not run a new DCF for submission with its Reply. See NS Reply III-A-59, n. 63.

Duke likewise has already submitted into evidence its estimate of the reduction in ACC revenues that would result if its rerouting of crossover traffic were not allowed. In response to the analysis NS submitted on Reply, Duke's Rebuttal presented an analysis "that eliminate[d] the revenue differential for the [crossover] traffic reroutes." Duke Reb. III-A-72 to 73. Specifically, Duke claimed that, if the reroutes were disallowed, the ACC would lose approximately \$35.4 million in revenues in the base year. Id. Duke correctly noted that the difference between NS' estimate of \$31.2 million and Duke's estimate of \$35.4 million is attributable to the parties' use of different revenue allocation methods. See id. at III-A-72, n. 70; NS Reply Elec. WP "rev ACC Appendix 1.xls."

In order to determine the appropriate revenue reduction, the Board need only decide which party's revenue allocation method – the modified mileage prorate advocated by Duke, or the enhanced mileage prorate approach that NS advocates – is more appropriate in this case.

III. COSTS ATTRIBUTABLE TO CROSSOVER TRAFFIC REROUTED ON THE SARR

NS conducted several analyses to determine the investment costs and operating expenses attributable to Duke's rerouted crossover traffic. NS witness Kimbrough identified certain changes in the ACC's track capacity and facility requirements that would result from redirecting the subject crossover movements from their "rerouted" ACC/NS interchange points at Belmont and Catawba, NC to interchanges at St. Paul and Appalachia, VA (which more accurately reflect the current route of movement on NS). NS witness Baranowski then quantified the impact of those changes on the ACC's investment costs. Witness Kimbrough also reviewed the ACC operating plan presented by NS on Reply, and modified it as necessary to reflect the redirected route of movement for ACC/NS crossover traffic. Utilizing the same computerized spreadsheet model and methodologies employed in NS' case-in-chief, NS witness Fisher developed revised

operating statistics and operating expenses for the ACC, based upon the diversion of Duke's rerouted crossover traffic to the alternate interchange points at St. Paul and Appalachia, VA.

A. SARR Configuration

Most of the crossover traffic rerouted by Duke to interchanges with the residual NS at Belmont or Catawba, NC currently moves via NS lines west of Bluefield, VA, including a variety of line segments intentionally omitted by Duke from the ACC's track network. For example, crossover shipments of coal from Hull, WV to Alabama Power at Holt, AL currently move via NS' line between Iaeger, WV and Cedar Bluff, VA, then via the Bluefield – Wentz line from Cedar Bluff to St. Paul, VA. Shipments from the Timbar mine to Georgia Power's Krannert, GA facility traverse a similar route today. NS Reply WP III-C-0006. Because Duke did not include the Iaeger – Cedar Bluff line in its SARR (NS Reply III-B-10), NS necessarily assumed for purposes of its rerouting analysis that these shipments – and other traffic that currently moves on NS via St. Paul or Appalachia, VA – would move on the ACC via Bluefield and would be interchanged with NS at St. Paul or Appalachia.

NS witness Kimbrough analyzed the impact on the ACC's track capacity requirements of redirecting crossover shipments rerouted by Duke to alternate ACC/NS interchange points that more accurately reflect the current (and more efficient) route of movement for such shipments. Based upon that analysis, witness Kimbrough identified certain modifications that should be made to the ACC network posited by NS in Part III.B of NS' Reply. Those changes fall into two categories. Mr. Kimbrough identified certain tracks and related facilities along the ACC's line between Bluefield, VA and Belmont, NC that would no longer be required in the event that the reroutes proposed by Duke were disallowed. Mr. Kimbrough also identified certain additional track facilities that would be needed on the ACC main line between Bluefield and Wentz, VA to accommodate the increase in traffic on that segment resulting from a shift of crossover traffic to

interchanges with NS at St. Paul and Appalachia, VA. The specific location of, and rationale for, each of these modifications to the ACC's configuration are discussed below.

1. Bluefield, VA – Belmont, NC

Mr. Kimbrough's analysis of the impact of disallowing the reroutes proposed by Duke identified the following modifications to the ACC's track configuration between Bluefield, VA and Belmont, NC:

Bluefield, VA. NS' Reply (at III-B-34 and Table III-B-4) proposed a third main line track between MP 354 and MP 366, as well as two sidings (one 5600 feet and the other 7000 feet in length) between MP 362 and MP 364, east of Bluefield, VA. As NS explained, in addition to accommodating ACC train volumes in the vicinity of Bluefield, these tracks were required for a variety of other purposes, including (i) handling local movements to/from ACC-served power plants at Glen Lyn and Celco, VA, (ii) accommodating the return movement of helper locomotives that would be removed from ACC trains at Bluefield, and (iii) accommodating the runaround movements required to reposition locomotives on all ACC trains traveling between Devon, WV and Norton, VA. NS Reply III-B-34.

Redirecting the subject crossover traffic from interchanges at Belmont and Catawba, NC to interchanges with NS at St. Paul or Appalachia, VA (via Bluefield) would reduce the number of daily train movements on the ACC line between Bluefield and West Roanoke from an average of 16.2 loaded trains per day to 13.0 loaded trains per day. See NS Supp. WP "Comparison of OPSTATS.xls" tab "GTM Per Segment Comparison."⁵ This reduction in through train activity would enable the ACC to eliminate eight miles of triple-track proposed by NS between MP 362 and MP 354. However, Mr. Kimbrough determined that the remaining four miles of triple-track

⁵ The actual number of daily train movements on this segment (including empty trains) would be approximately double those figures, or 32.4 and 26.0 trains, respectively.

(between MP 366 and MP 362) should be retained. Redirecting crossover traffic to the ACC/NS interchanges at St. Paul or Appalachia would increase the number of loaded trains moving southwest from Bluefield. See NS WP “Comparison of OPSTATS.xls.” Each of these additional trains would require the same runaround movement at Bluefield to reposition the locomotives for movement to the southwest as was required for trains in Duke’s operating plan.⁶ A third (albeit shorter) track at Bluefield would still be required to accommodate these runaround movements, and the light movement of helper units, in an efficient manner. The two sidings proposed by NS between MP 362 and MP 364 would continue to be needed to reduce conflicts between Bluefield–West Roanoke through trains and local train movements to/from the power plants at Celco and Glen Lyn, VA. Neither of those destination facilities has sufficient track capacity to accommodate full unit trains. See NS Reply WP III-C-00037-00040. Approximately 12-15 cars per day are unloaded at Celco, while the Glen Lyn facility dumps approximately 25 cars per day. Id. For these reasons, ACC deliveries to Celco and Glen Lyn must be staged at Bluefield (resulting in frequent movements of loaded and empty cars between Bluefield and the plants).

Roanoke Yard. As stated above, if Duke’s rerouting of crossover traffic is disallowed, the number of ACC trains operating from Bluefield to West Roanoke would be reduced from 16.2 loaded trains to 13.0 loaded trains per day. This reduction in train volume at West Roanoke would be offset in part by the relocation of the interchange point for one ACC/NS crossover train per day from Winston-Salem back to West Roanoke. Based upon these changes in train activity, Mr. Kimbrough determined that two 7000-foot yard tracks (one “Eastbound” and one

⁶ Duke’s proposal to run power around the train at Bluefield reflects the reality that it is not feasible to construct a turnout directly linking the ACC’s Devon – Roanoke main line with its Bluefield – Wentz line because NS’ track alignment runs through the center of the city of Bluefield. NS currently handles this southbound traffic via its Iaeger – Cedar Bluff line (which

“Westbound”) could be eliminated from the configuration for West Roanoke Yard proposed by NS (see NS Reply III-B-61 to 62).

West Roanoke – Belmont. The ACC’s line between West Roanoke Yard and Belmont, NC would experience a substantial reduction in traffic volume (and daily train activity) if the rerouting of crossover traffic proposed by Duke is disallowed. For example, between West Roanoke Yard and Stoneville, NC, the number of loaded trains operated by the ACC would drop from 7.0 trains to 3.2 trains per day. See NS Supp. WP “Comparison of OPSTATS.xls” tab “GTM Per Segment Comparison”. Between Belews Creek and Winston-Salem, NC, daily train volume would decrease from 5.1 loaded trains per day to 1.4 loaded trains per day. See NS Supp. WP “Comparison of OPSTATS.xls” tab “GTM Per Segment Comparison”. The southern end of the line between Barbar and Belmont, NC (where Duke’s Allen plant is located) would experience a reduction in train activity from approximately 3.5 loaded trains per day to less than a single loaded train movement per day. See NS Supp. WP “Comparison of OPSTATS.xls” tab “GTM Per Segment Comparison”.

NS witness Kimbrough analyzed the impact of these reductions in train activity on the ACC’s capacity requirements south of West Roanoke Yard. He concluded that a number of the tracks and related facilities proposed by Duke and/or NS in their prior submissions could be eliminated if ACC crossover traffic were redirected from the West Roanoke-Belmont line to an alternate interchange point consistent with its current route of movement.

First, Mr. Kimbrough determined that a total of seven (7) passing sidings, totaling 11 miles, south of West Roanoke Yard could be eliminated if train activity on the line were reduced as described above. Table I identifies the sidings by location.

Duke did not include in its ACC configuration).

Table I
Removed Passing Sidings
West Roanoke-Belmont

Page	MP From	MP To	Distance
<i>West Roanoke - Belews Creek</i>			
35N	32.10	33.60	1.50
35N	60.00	61.50	1.50
35N	84.04	86.00	1.96
<i>Belews Creek - Belmont</i>			
35N	114.30	115.90	1.60
37N	28.50	30.10	1.60
37N	45.00	46.60	1.60
40N	6.40	8.00	<u>1.60</u>
<i>Total Miles of Passing Sidings Removed:</i>			<i>11.36</i>

These passing sidings were proposed by Duke in its Opening Evidence, and were adopted by NS in its Reply. See NS Reply Exh. III-B-1 at 43 to 51.

Second, NS' Reply demonstrated that the ACC would need a yard facility at Winston-Salem, NC. This facility was intended to perform inspections of empty crossover trains returning from various destinations in Georgia, Alabama and Mississippi, and to be used in interchanging traffic with NS at Winston-Salem (as proposed by Duke). See NS Reply III-B-63. NS also showed that, based upon realistic operating assumptions, ACC trains operating between West Roanoke and Belmont would need to change crews en route at Winston-Salem. See NS Reply III-C-32. As proposed in NS' Reply, the ACC's Winston-Salem facility would consist of three 7700-foot tracks for inspections and interchange and two 1400-foot tracks to hold bad order cars. NS Reply III-B-63. Mr. Kimbrough determined that, if the crossover traffic rerouted by Duke did not traverse the West Roanoke – Belmont line, the ACC's yard facility at Winston-Salem could be reduced to a single 7700-foot track. This track would be used to handle the remaining traffic interchanged with NS at Winston-Salem, and to accommodate ACC crew

changes. The two other 7700-foot inspection/interchange tracks, and the two 1400-foot set out tracks previously proposed by NS, would no longer be needed.

Third, NS' Reply proposed that two 7000-foot sidings be added to the "small yard" constructed by Duke at Belmont, NC. The tracks proposed by NS were intended to accommodate the substantial volume of traffic that the ACC proposed to interchange with NS at Belmont, and to provide unimpeded access to the Allen plant when the interchange tracks were occupied. See NS Reply III-B-62 and Exh. III-B-2-2. Mr. Kimbrough determined that, if Duke's rerouting of crossover traffic is disallowed, the two additional tracks proposed by NS, and one of the two tracks included in Duke's initial design, would not be needed, since there would be no ACC/NS interchange activity at Belmont. One of the two tracks proposed by Duke should be retained, in order to provide facilities to stage loaded and empty trains awaiting movement to/from the Allen plant.

Finally, Duke proposed to install a CTC traffic control system on the entire ACC main line between Kenova, WV and Belmont, NC. See Duke Reb. III-B-34. This decision was appropriate based upon the volume of crossover traffic contemplated by Duke's Opening submission, and NS adopted it in its Reply. However, Mr. Kimbrough determined that, with the reduction in train activity described above, the ACC would not require a CTC system on its line south of Belews Creek, NC. Instead, the ACC line between Belews Creek and Belmont, NC (a distance of approximately 115 miles) could safely be controlled by track warrants issued by ACC dispatchers. However, in order to permit trains to proceed through the interlocking at Barbar without stopping, the ACC would need to install an automatic interlocking at that location.

2. NS Lines South of Belmont, NC

NS' Reply demonstrated that Duke's decision to reroute ACC/NS crossover traffic would create substantial capacity problems for NS on its lines south of Belmont, NC. See NS Reply

III-B-67 to 69. Specifically, NS showed that several segments of its line linking the Carolinas with Atlanta (over which Duke proposed to reroute massive volumes of crossover traffic) are currently operating at or near their practical capacity. NS identified certain capital improvements that would, at a minimum, be required to mitigate (in part) the impact of Duke's routing decisions, and to permit the fluid movement of ACC crossover traffic on NS' line south of Belmont. *Id.* The total cost of the capital projects identified by NS would be approximately \$30.1 million. NS Reply III-F-158.⁷

If the rerouting of crossover traffic proposed by Duke were disallowed, these off-SARR capacity improvements would not be necessary.

3. Bluefield – Wentz, VA

Unlike the Bluefield – Belmont line (discussed above), the ACC's line between Bluefield and Wentz, VA would experience a significant increase in traffic volume (and daily train activity) if the rerouting of crossover traffic proposed by Duke is disallowed. As stated above, large volumes of rerouted coal traffic destined to customers in Georgia, Mississippi and Alabama currently move over NS via St. Paul and/or Appalachia, VA. Mr. Kimbrough considered the capacity requirements that the ACC would experience on its Bluefield – Wentz line in the event that crossover traffic routed by Duke via Belmont and Catawba were instead interchanged between the ACC and NS at St. Paul or Appalachia, VA (the ACC points of interchange closest

⁷ Because the Board emphasized the narrow scope of its request for additional evidence, NS has not developed a comprehensive estimate of the capital and operating costs that would be imposed on it by Duke's proposed rerouting of crossover traffic. See TMPA, slip op at 21-25; *id.* at 24 ("A complainant cannot avoid the potential impacts that might result from its rerouting of traffic by choosing to terminate the SARR before the point at which those impacts would occur."). Specifically, this analysis does not purport to identify all of the capital improvements that NS might be required to make in order to accommodate ACC crossover traffic, nor does it consider the effect of Duke's rerouting decisions on NS' operating expenses. While NS believes a full accounting for all off-SARR costs (and revenues) of the rerouted traffic is appropriate (see TMPA), such a mini-SAC presentation appears to be beyond the scope of the October 10 Order.

to the traffic's actual routing). Mr. Kimbrough concluded that redirecting crossover traffic in this manner would require the ACC to construct additional facilities at three locations.

First, the ACC would be required to construct an additional passing siding between Bluefield and Carbo, VA to accommodate a 20 percent increase in train activity on that segment. Witness Kimbrough recommended that this siding be constructed between MP 397.8 – MP 399.3 in the vicinity of Pounding Mill, VA. Mr. Kimbrough also recommended that the siding proposed by Duke at MP 402.5 – MP 404.0 be relocated to MP 407.7 – MP 409.2, in order to provide more even spacing of passing capability. NS currently has a siding on this segment in the vicinity of MP 407.

Second, the ACC would be required to construct an interchange track in the vicinity of St. Paul, VA, to accommodate the substantial increase in interchange activity resulting from the shift of the interchange point for ACC/NS crossover traffic from Belmont/Catawba to St. Paul. If Duke's reroutes are disallowed, the volume of traffic interchanged between the ACC and NS at St. Paul would increase exponentially, from approximately [REDACTED] tons per year to [REDACTED] tons annually. See NS Supp. WP "LUMs and Carmiles (NS) v2.xls;" NS Supp. WP "LUMs and Carmiles (NS) v2 (Modified Off Jct).xls" tab "Line Haul GTM", column "S". Duke's design for the ACC did not include any interchange facilities at St. Paul. See Duke Reb. Exh. III-B-3 at 26N. The interchange track proposed by witness Kimbrough would clearly be needed to accommodate such a substantial interchange operation at St. Paul.

Finally, as stated above, disallowing Duke's rerouting of crossover traffic would eliminate the need for the ACC to inspect empty trains at Winston-Salem, NC. However, if the subject traffic is redirected to interchanges with NS at St. Paul or Appalachia, empty trains would never pass through either of the ACC's proposed inspection locations (Kenova, WV and

West Roanoke, VA). Accordingly, the ACC would need to have the capability to inspect these empty trains at an alternate location on their route of movement. Witness Kimbrough determined that Devon, WV would be a logical point at which to perform such inspections. As NS' Reply (at III-B-59 to 60) showed, the ACC would be required to construct a substantially larger yard facility at Devon than that proposed by Duke. Witness Kimbrough recommended that, in addition to the yard facilities described in NS' Reply, the ACC should construct one additional 1,400-foot inspection/setout track at Devon Yard, to provide adequate capacity for car inspection and repair activities shifted to Devon in the event that Duke's proposed reroutes are disallowed. The net change in the ACC's road property investment cost resulting from the modifications to the ACC's physical configuration proposed by witness Kimbrough is set forth in Part B below.

B. Net Investment (Construction) Costs Attributable to Rerouted Crossover Traffic

Based on the changes in SARR configuration identified in the preceding section, NS calculated the SARR road property investment costs attributable to Duke's reroutes of crossover traffic. To make this calculation, NS adjusted specific inputs to its investment cost spreadsheet to reflect those configuration changes (removing sidings and interchange tracks, removing additional tracks south of Belmont, etc.) and, holding all other parameters and inputs constant, re-calculated the costs for all road property investment components.⁸ NS then compared the

⁸ To determine the changes in investment costs necessitated by the rerouted crossover traffic, NS started with the Section III-F electronic work papers filed as part of its Reply, and changed only the specific inputs relating to the removal or addition of facilities attributable to the change in ACC traffic patterns for this restatement. For example, to reflect the reduction in passing tracks associated with the removal of rerouted traffic from the ACC line south of West Roanoke, NS removed the passing sidings listed in Table I above from the passing siding track inventories in the workpaper file "III-F - Construction Total No Reroute.xls." Because NS made the changes to the inventories themselves, the restated investments flow automatically through all of the necessary investment accounts. Similarly, for grading, bridges, crossings and culverts, the

resulting costs with its original road property investment cost calculations (See NS Reply Section III.F) to determine the net investment costs attributable to the rerouted crossover traffic. The results of that analysis are summarized in Table II.

TABLE II
ACC Construction Costs

Account No.	Account Name	NS Reply (Reroutes Included)	Modified Off Junction (No Reroutes)	Difference
01	Engineering	\$539,045,512	\$537,031,930	(\$2,013,581)
02	Land	122,266,311	122,259,970	(6,341)
03	Grading	1,592,792,353	1,575,504,567	(17,287,786)
05	Tunnels	705,396,224	705,361,384	(34,840)
06	Bridges & Culverts	947,582,267	943,308,392	(4,273,875)
08	Ties	187,901,083	184,503,946	(3,397,137)
09	Rail and OTM	430,579,192	422,600,055	(7,979,136)
11	Ballast	161,758,760	158,205,946	(3,552,813)
12	Track Labor	235,266,120	230,385,798	(4,880,322)
13	Fences and Roadway Signs	2,070,845	2,069,693	(1,152)
17	Roadway buildings	14,256,743	14,256,013	(730)
19	Fuel Stations	14,546,418	14,545,676	(742)
23	Shops and Enginehouses	23,635,350	23,634,140	(1,210)
26	Communication Systems	116,770,446	116,764,471	(5,975)
27	Signals & Interlockers	86,732,480	80,474,693	(6,257,787)
39	Public Improvements	55,596,474	55,483,919	(112,555)
Total		\$5,236,196,577	\$5,186,390,595	(\$49,805,982)

C. Operating Plan

Witness Kimbrough also considered the extent to which redirecting crossover traffic to ACC/NS routings more consistent with the manner in which such traffic currently moves would require adjustments to the operating plan for the ACC set forth in Part III.C. of NS' Reply.⁹

number and/or length of passing sidings were reduced for the appropriate line segments, again allowing the changes to automatically flow through the inventories and investment calculations. Details of these calculations are set forth in NS' revised construction cost work papers.

⁹ Witness Kimbrough developed and sponsored the operating plan presented by NS in its Reply.

Likewise, NS witness Fisher conducted a revised spreadsheet analysis to develop revised operating statistics for the ACC, based upon the assumption that Duke's rerouting of crossover traffic was disallowed.¹⁰ Based upon Mr. Kimbrough's analysis of the changes in traffic routing and train operations resulting from disallowance of Duke's reroutes, and Mr. Fisher's revised spreadsheet analysis, NS identified the following impacts on the operating plan for the ACC presented in NS' Reply:

Road Locomotives. NS' Reply proposed a road locomotive fleet consisting of 241 units (including helpers and spares.) See NS Reply III-C-12 to 15. Based upon the changes in the ACC's traffic and route configuration set forth above, witness Fisher determined that, if Duke's proposed reroutes were disallowed, the ACC would need a road locomotive fleet of 214 units, or 27 fewer road locomotives than provided for in NS' Reply. The number of helper locomotives required by the ACC would not change. The ACC does not employ any helper locomotives between Bluefield, VA and Belmont, NC. While helper locomotives are employed between Finney and Honaker, VA on the ACC's Bluefield – Wentz line, Mr. Kimbrough determined that the helper units and crew assignments provided for in NS' Reply would be sufficient to handle the increased number of trains that would traverse that line if ACC/NS crossover traffic were redirected to interchanges at St. Paul and/or Appalachia, VA.

Rail Cars. Mr. Fisher's revised spreadsheet analysis determined that redirecting crossover traffic to its natural route of movement would reduce the ACC's coal car requirements from 4,897 cars (see NS Reply III-C-17) to 4,785 cars, a difference of 112 coal cars. The ACC's grain-car fleet, consisting of 244 cars, would remain unchanged.

¹⁰ The methodology employed by witness Fisher in conducting his spreadsheet analysis is described in NS' Reply at III-C-4 to 5.

Interchanges. If Duke's rerouting of crossover traffic were disallowed, the ACC's proposed interchanges with NS at Belmont and Catawba, NC would be eliminated. Winston-Salem and Charlotte, NC would remain ACC/NS interchange points (albeit with reduced interchange volumes). As described above, the volume of traffic interchanged between the ACC and NS at St. Paul, VA would increase substantially. The ACC/NS interchange at Appalachia, VA would likewise experience an increase in traffic volume.

Train Inspections. If Duke's rerouting of crossover traffic were disallowed, the ACC would no longer be required to inspect empty trains at Winston Salem, NC. However, as indicated above, the ACC would require additional car inspection/repair facilities at Devon, WV to accommodate the increase in activity at that location.

Operating Personnel. Mr. Fisher's revised spreadsheet analysis determined that redirecting ACC/NS crossover traffic to its natural route of movement would reduce the ACC's T&E crew requirements from the 509 crew persons contemplated by NS' Reply (NS Reply III-D-18) to 465 crew persons, a difference of 44 crew persons. Mr. Kimbrough determined that such changes would reduce the number of ACC Trainmasters needed at Belmont, NC from four to one, and at Winston-Salem, NC from four to two. These reductions would be offset in part by the need for four Trainmasters at Bluefield, VA. The operating personnel changes identified by witnesses Kimbrough and Fisher are summarized in Table III below.

TABLE III
2002 ACC Personnel Requirements – Differences From NS Base Case

	NS Base Case (Reroutes Included)	Difference Excluding Reroutes
Transportation		
T&E Crew Persons	509	(44)
Trainmasters - Belmont, NC	4	(3)
Trainmasters - Winston-Salem, NC	4	(2)
Trainmasters - Bluefield, VA	–	4
Net Transportation Difference		(45)
Mechanical		
Manager Mechanical Ops - Winston-Salem, NC	1	(1)
Carmen/Inspectors - Winston-Salem, NC	18	(18)
Manager Mechanical Ops - Devon, WV	–	1
Carmen/Inspectors - Devon, WV	–	18
Net Mechanical Difference		–
General & Administrative		
Director Coal Operations	4	(1)
Manager Coal Operations	6	(1)
Net G&A Difference		(2)
Net Difference Overall		(47)

D. Operating Expenses

To determine the net on-SARR operating costs attributable to Duke's rerouted crossover traffic, NS used the same computer spreadsheet analysis it used in its Reply. NS witness Fisher simply changed the "off-SARR" junction point for the subject traffic to return Duke's rerouted traffic to the route Duke identified as most accurately resembling the route over which such traffic moves on NS today. See NS Supp. Exh. 1; Duke Reb. WP 6722-6733. He then re-ran the spreadsheet analysis to generate revised operating statistics (locomotive unit miles, car-miles, crews, etc.) for the ACC based upon this redirection of ACC/NS crossover traffic. See NS Supp. WP "LUMs and Carmiles (NS) v2 (modified Off Jct).xls." NS also modified the inputs to the spreadsheet that computes stand-alone maintenance of way expenses to incorporate the changes resulting from the redirection of rerouted crossover traffic. See NS Supp. WP III D 4

Maintenance of Way.xls. Consistent with the Board's intent to re-open the record only for the limited purpose of calculating the costs and revenues attributable to rerouted crossover traffic, and not for the parties to otherwise revise their case-in-chief, witness Fisher held all other parameters and inputs to his spreadsheet constant. See October 10 Order.¹¹ Table IV summarizes the impact of eliminating Duke's proposed reroutes on several key operating statistics.¹²

¹¹ While it is possible that redirecting ACC/NS crossover traffic to alternate gateways might have some effect on average transit times along certain segments of the ACC, it is not clear whether the net effect would be to increase or decrease transit times on any given segment. Rather than going beyond the scope of the October 10 Order to conduct a time-consuming and labor-intensive analysis of the precise impact of redirecting the subject traffic on transit times (and other elements of NS' case-in-chief), NS witness Fisher adopted the simplifying assumption that average transit times would not change substantially. This assumption is reasonable for several reasons. First, while some segments (e.g. the line between West Roanoke and Belews Creek) would carry less traffic than under Duke's rerouting assumption, NS witness Kimbrough reduced the physical capacity of those segments commensurately, by removing nearly one-half of the passing track capacity between West Roanoke and Belews Creek, and by reducing by two-thirds the number of passing tracks between Belews Creek and Belmont. See Part III.A.1 above. Second, because NS witness Kimbrough determined that Centralized Traffic Control ("CTC") would no longer be necessary south of Belews Creek, NS removed CTC from that segment. Although these changes to the ACC's configuration would reduce the investment cost of the line south of West Roanoke, they would also have the effect of increasing transit times as trains would operate under a traditional track warrant system over a line with substantially less capacity to accommodate train meets. Finally, while disallowance of Duke's proposed rerouting of crossover traffic would reduce daily train activity between Bluefield, VA and Belmont, NC, it would increase train activity (and the potential for congestion) on the ACC's line between Bluefield and Wentz, VA. As a result of these factors, reperforming the entire capacity analysis presented in NS' case-in-chief — which, NS believes, would be well beyond the scope of the evidence called for by the October 10 Order — would not, in all likelihood, materially impact the revenues and costs presented by NS in this Supplemental Evidence.

¹² The effect of disallowing Duke's proposed reroutes on all relevant operating statistics is set forth in NS Supp WP "Comparison of OPSTATS.xls" tab "OPSTATS Comparison" and NS Supp. WP "OP EXP (Modified Off Jct).xls," tab "SARR Base Exp".

TABLE IV
2002 ACC Operating Statistics

	Base Case	Modified Off Junction	Difference from NS Base Case	% Difference from Base Case
GTMs	35,114,703,082	28,410,848,992	(6,703,854,090)	-19.1%
T&E Crew Persons (Includes Road, Yard, and Helper)	509	465	(44)	-8.6%
Overnights	20,332	13,923	(6,409)	-31.5%
Taxi Trips	38,812	34,247	(4,565)	-11.8%
AC44 Locomotives	241	214	(27)	-11.0%
LUMs (Includes Road and Helper)	11,777,258	9,416,883	(2,360,375)	-20.0%
System Coal Cars	4,897	4,785	(112)	-2.3%
System Grain Cars	244	244	-	0.0%
Coal Tons	74,126,600	74,126,600	-	0.0%
Grain Tons	3,818,554	3,818,554	-	0.0%
Trackage Rights Fees	2,171,524	2,171,524	-	0.0%

NS used these revised operating statistics and equipment requirements to calculate revised operating costs for the ACC, assuming that crossover traffic rerouted by Duke would be redirected to routes more consistent with its current route of movement. NS then compared these revised operating costs with the operating costs NS previously calculated on Reply (which assumed the rerouting of crossover traffic as proposed by Duke) to determine the annual change in SARR operating expenses that would result from disallowance of Duke's crossover traffic reroutes. Based on this analysis, NS determined that annual SARR operating expenses attributable to Duke's rerouting of crossover traffic total approximately \$22.3 million. The major components of those additional costs are set forth in Table V.

TABLE V
2002 ACC Operating Expenses – Difference From Base Case

Item	NS Base Case (Including Reroutes)	Modified Off Junction	Difference
1. Train & Engine Personnel	\$47,790,939	\$43,425,651	(\$4,365,287)
2. Locomotive Lease Expense	38,997,304	34,755,037	(4,242,267)
3. Locomotive Maintenance Expense	30,402,445	27,132,709	(3,269,736)
4. Locomotive Operating Expense	34,231,778	27,371,113	(6,860,665)
5. Railcar Lease Expense	26,744,840	26,149,575	(595,265)
6. Material & Supply Operating	1,937,913	1,890,309	(47,605)
7. Ad Valorem Tax	6,774,038	6,774,038	0
8. Operating Managers	13,884,605	13,791,962	(92,643)
9. General & Administration	36,435,813	35,335,096	(1,100,717)
10. Trackage Rights	3,944,765	4,125,061	180,296
11. Loss and Damage	87,329	87,329	0
12. Payment to Mines	0	0	0
13. Insurance	7,300,368	6,756,828	(543,540)
14. Maintenance of Way	<u>50,782,959</u>	<u>49,435,244</u>	<u>(1,347,715)</u>
15. Total Annual Costs	\$299,315,095	\$277,029,952	(\$22,285,143)
16. Total Quarterly Cost	\$74,828,774	\$69,257,488	(\$5,571,286)

IV. REVISED DISCOUNTED CASH FLOW AFTER REMOVING COSTS AND REVENUES ATTRIBUTABLE TO THE REROUTES

In order to determine the impact of the costs and revenues attributable to rerouted crossover traffic on the overall SAC analysis, NS has re-run its 20-year discounted cash flow (“DCF”). NS made only those changes to the DCF inputs necessary to reflect the net changes in costs and revenues attributable to the rerouted traffic.¹³ Holding all other variables and

¹³ The DCF results NS submits in this Supplemental Evidence are based upon the DCF that NS submitted in its Reply evidence. As NS explained in its October 31, 2002 letter to the Board, after filing its Reply, NS discovered a data anomaly in the revenue calculation for one shipment that resulted in an overstatement of total ACC revenues by approximately 1 percent. NS submitted with the October 31, 2002 letter a revised revenue calculation that eliminated the anomaly, but did not submit a revised DCF. Duke accepted this correction in its Rebuttal. Duke

parameters constant, NS re-ran the DCF analyses for its base case and — as it did in its original Reply — for NS' alternative case. Table VI compares NS' base case 20-year DCF with and without the costs and revenues attributable to rerouted crossover traffic.

TABLE VI
(Millions)

	A	B	C	D	E	F	G
Year	Annual Revenue No Reroutes	Annual Revenue Including Reroutes	Difference (A – B)	Stand-Alone Cost No Reroutes	Stand-Alone Cost Including Reroutes	Difference (D – E)	Net Difference ¹⁴ (C – F)
2002			(\$30.4) ¹⁵			(\$27.6)	(\$2.8)
2003			(36.1)			(29.5)	(6.6)
2004			(25.3)			(29.2)	4.0
2005			(23.7)			(29.0)	5.3
2006			(23.2)			(29.4)	6.2
2007			(23.8)			(30.1)	6.3
2008			(23.9)			(30.9)	7.0
2009			(23.9)			(31.6)	7.7

Reb. Narr. at III-A-44. In order to remain within the narrow scope of this limited reopening (i.e. Duke's rerouted traffic volumes), NS has not incorporated this revenue revision in the DCF submitted with this Supplemental Evidence. To facilitate such an adjustment if the Board determines it to be appropriate, however, NS has included with this Supplemental Evidence a copy of the revised revenue calculations submitted in October 2002. See NS Supp. WP "NS contractrevprojtariffsmarshallrevised.xls," tab "Contract and water," row 389.

¹⁴ Column G ("Net Difference") represents the annual net change to the excess of stand-alone costs over stand-alone revenues that would result from the removal of the costs and revenues attributable to the rerouted crossover traffic. Thus, the amount by which stand-alone costs exceeds revenues would increase by relatively small amounts for the first two years, and then decrease (also by relatively small amounts) during the remaining years of the DCF period.

¹⁵ In its Reply Narrative, NS estimated that the amount of revenue attributable to the rerouted crossover traffic in the base year was \$31.2 million. See NS Reply III-A-58; NS Reply III.A Elec. WP "rev ACC Appendix 1.xls". NS' Reply workpapers included a more refined calculation of the revenue attributable to rerouted crossover traffic over the full 20-year DCF period. See NS Reply III.A Elec. WP "NS contractrevprojtariffsmarshallrevisedreroute corrected.xls". The latter, more precise calculation attributed \$30.4 million in base year revenues to the rerouted crossover traffic. Because the more refined calculations compute the revenues attributable to the rerouted crossover traffic over the 20-year DCF period, NS has used this measure (\$30.4 million in base year 2002) of revenues attributable to rerouted crossover traffic in its supplemental DCF. The corresponding base year revenue attributable to the reroutes using Duke's revenue allocation method ("modified mileage prorate") is \$35.4 million.

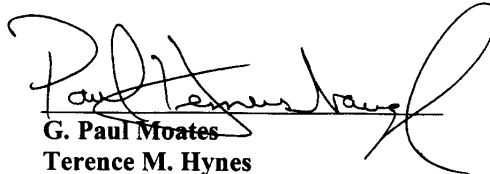
Year	<u>A</u> Annual Revenue No Reroutes	<u>B</u> Annual Revenue Including Reroutes	<u>C</u> Difference (A – B)	<u>D</u> Stand-Alone Cost No Reroutes	<u>E</u> Stand-Alone Cost Including Reroutes	<u>F</u> Difference (D – E)	<u>G</u> Net Difference ¹⁴ (C – F)
2010			(23.8)			(32.2)	8.4
2011			(25.7)			(33.9)	8.2
2012			(26.0)			(34.8)	8.8
2013			(25.5)			(35.3)	9.8
2014			(25.4)			(36.1)	10.6
2015			(25.5)			(36.9)	11.4
2016			(25.8)			(38.0)	12.3
2017			(25.5)			(38.8)	13.3
2018			(24.9)			(39.4)	14.5
2019			(25.4)			(40.6)	15.3
2020			(25.5)			(41.6)	16.1
2021			(25.5)			(42.6)	17.1

The full revised DCF (for both NS' Base Case and its Alternative Case), and additional comparison tables, are set forth in the workpapers submitted as part of this Supplemental Evidence. While the numerical SAC results are slightly different after eliminating the reroutes (reducing by approximately 1.3% in the cumulative present value of the amount by which SARR costs exceed revenues), they continue to support the same overall conclusion presented in NS' three rounds of evidence and in its Brief: the challenged rates are reasonable, and no rate prescription is appropriate.

Conclusion

NS respectfully requests that the Board adopt NS' estimates of the revenues and costs attributable to the crossover traffic rerouted by Duke.

Respectfully submitted,



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Counsel for Defendant Norfolk Southern Railway Company

DATED: October 24, 2003

DUKE ENERGY CORPORATION,

Complainant,

v.

NORFOLK SOUTHERN RAILWAY COMPANY,

Defendant.

VERIFICATION AND STATEMENT OF QUALIFICATIONS

My name is Don M. Kimbrough. I previously sponsored portions of the Reply Evidence of the Norfolk Southern Railway Company in this matter.

I declare under the penalty of perjury that the foregoing is true and correct.
Further, I certify that I am qualified and authorized to file this testimony.

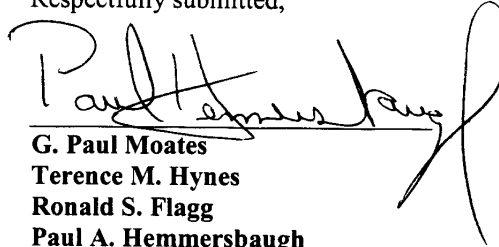
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Don M. Kimbrough

Conclusion

NS respectfully requests that the Board adopt NS' estimates of the revenues and costs attributable to the crossover traffic rerouted by Duke.

Respectfully submitted,



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Counsel for Defendant Norfolk Southern Railway Company

DATED: October 24, 2003

BEFORE THE
SURFACE TRANSPORTATION BOARD

DUKE ENERGY CORPORATION,	)	
	)	
<u>Complainant,</u>	)	
	)	
v.	)	STB Docket No. 42069
	)	
NORFOLK SOUTHERN RAILWAY COMPANY,	)	
	)	
<u>Defendant.</u>	)	

VERIFICATION AND STATEMENT OF QUALIFICATIONS

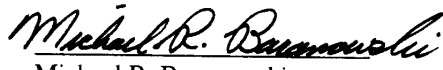
MICHAEL R. BARANOWSKI

My name is Michael R. Baranowski. I previously sponsored portions of the Reply Evidence of the Norfolk Southern Railway Company in this matter.

In the Supplemental Evidence of Defendant Norfolk Southern Railway Company, I am sponsoring Sections II, III B, and IV.

I declare under the penalty of perjury that the foregoing is true and correct.
Further, I certify that I am qualified and authorized to file this testimony.

Executed on this 24th day of October, 2003.


Michael R. Baranowski

BEFORE THE
SURFACE TRANSPORTATION BOARD

_____	)	
DUKE ENERGY CORPORATION,	)	
	)	
<u>Complainant,</u>	)	
	)	
v.	)	STB Docket No. 42069
	)	
NORFOLK SOUTHERN RAILWAY COMPANY,	)	
	)	
<u>Defendant.</u>	)	
_____	)	

VERIFICATION AND STATEMENT OF QUALIFICATIONS

BENTON V. FISHER

My name is Benton V. Fisher. I previously sponsored portions of the Reply Evidence of the Norfolk Southern Railway Company in this matter.

In the Supplemental Evidence of Defendant Norfolk Southern Railway Company, I am sponsoring Sections III C and III D.

I declare under the penalty of perjury that the foregoing is true and correct.
Further, I certify that I am qualified and authorized to file this testimony.

Executed on this 24th day of October, 2003.

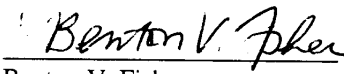

Benton V. Fisher

Exhibit 1

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June 11, 2002

**CONTAINS HIGHLY CONFIDENTIAL
INFORMATION SUBJECT TO PROTECTIVE ORDER**

VIA HAND DELIVERY

G. Paul Moates, Esq.
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Re: STB Docket No. 42069, Duke Energy Corporation
v. Norfolk Southern Railway Co.

Gentlemen:

In the course of preparing Duke's response to your June 6, 2002 request for supplemental workpapers, we ran across some other elements in Duke's opening evidence workpapers that may need some clarification.

Duke's stand-alone railroad (the ACC) routes some of its traffic in ways that differ from NS's present routing. The rerouting is identified in "ACC TRAFFIC MATRIX 2001.xls" included in the opening evidence electronic workpapers. The spreadsheet would have benefitted from some explanation in the narrative which we neglected, but provide here as Attachment A. The same situation applies to one ACC coal movement that has been diverted from truck to rail, which we illuminate in Attachment B.

In a related vein, it appears that the new traffic/revenue tapes produced on May 28, 2002 (after our opening evidence was submitted) reflect a substantial amount of additional traffic, of which we were unaware, that is suitable for transport by the ACC. A description of the additional traffic, and its estimated impact on SAC revenues and costs, is set forth in Attachment C. We intend to supplement the ACC's traffic, revenue and operating expense data to include this additional traffic in Duke's rebuttal filing.

DUKE/NS 06722

EXHIBIT 1
Page 1 of 12

G. Paul Moates, Esq.
June 11, 2002
Page 2

* * *

The attachments to this letter are hereby designated
"Highly Confidential" pursuant to the Protective Order served
February 5, 2002 in this proceeding.

Sincerely,



Christopher A. Mills

CAM/dmb
Enclosures

cc: Honorable Vernon L. Williams

DUKE/NS 06723

EXHIBIT 1
Page 2 of 12

REROUTED TRAFFIC

Duke's opening SAC evidence reflects the inclusion of certain traffic, and associated revenues and costs, that its stand-alone railroad, the ACC, will move using routes that differ from those presently used by NS. The rerouted traffic involves both (a) local and interline traffic that moves on a different route while on the ACC, and (b) crossover traffic that the ACC interchanges with the residual NS at a point different from the point where the traffic presently leaves the NS routes replicated by the ACC. All of the rerouted movements (with the point of interchange in the case of crossover traffic) are identified by a "1" in the "re-route flag" column of sheet "Mileage Block Calculation" in the spreadsheet "ACC TRAFFIC MATRIX 2001.xls" in the electronic workpapers accompanying Duke's opening evidence.

1. Internally Rerouted Coal Traffic

The "internally" rerouted coal traffic includes both local traffic and traffic that leaves the ACC system (via interchange to the residual NS) at the same point it presently leaves the NS lines replicated by the ACC. This traffic all originates at mines on the Elmore North and Elmore West branches. Some of it moves to or beyond West Roanoke, and NS presently moves it via Elmore, Princeton and Kellysville. As described on page III-B-2 of Duke's opening evidence Narrative, the ACC has chosen not to replicate the route via Princeton and instead will move this traffic from Elmore via Bluestone and Bluefield. All distance-related and other costs associated with the routing being used by the ACC are reflected in Duke's SAC evidence.

In addition, NS presently routes coal traffic originating on the Elmore North and Elmore West branches that moves north to/beyond Kenova via Morri Branch Junction, Gilbert and Scaggs. The ACC has also chosen not to replicate the route via Gilbert, and instead routes this traffic via Elmore and Bluestone and thence to Kenova via Wharncliffe, Devon and Naugatuck. All distance-related and other costs associated with the routing being used by the ACC for this traffic are reflected in Duke's SAC evidence.

DUKE/NS 06724

2. Rerouted Crossover Traffic

The rerouted interchange (crossover) coal traffic originates at mines north/west of Wharncliffe or on the Elmore branches and presently leaves the NS lines being replicated by the ACC at various points including St. Paul and Appalachia, VA. NS routes this traffic south to destinations in North Carolina, South Carolina, Georgia and Alabama via Iaeger, WV, Cedar Bluff and St. Paul, VA and Kingsport, TN. The ACC will route this traffic via Bluestone and Bluefield, interchanging it to the residual NS at various points including Belmont, Catawba, Charlotte and Winston-Salem, NC. The specific movements involved are listed in Appendix 1 to this Attachment A. For each movement, Appendix 1 shows the point where the traffic presently leaves the ACC route, the owner of the railcars, the ACC/NS interchange point, and the mileage changes resulting from the reroute.

As an example of the mileage differences resulting from the change in routing, NS presently transports

from Pontiki Mine on the Wolf Creek Branch to Scherer, GA via Iaeger/Cedar Bluff/St. Paul/Kingsport. As shown on page 2 of Appendix 1, the total one-way distance from origin to destination via this route is 632.4 miles. The ACC will route this traffic via Bluefield and West Roanoke, interchanging it to NS at Belmont. The total one-way distance from origin to destination via this route is 757.7 miles, or a net increase of 125.3 miles using the ACC route compared with the present route (assuming the traffic would be interchanged at St. Paul).¹ The distance on the ACC portion of the route increases by 241.5 miles; the distance on the NS portion of the route decreases by 116.2 miles.

¹ It should be noted that the ACC is not replicating NS's line between Iaeger and Cedar Bluff, but would move this traffic to St. Paul via Bluefield. The distance from Iaeger to St. Paul is 38.4 miles longer operating via Bluefield than it is using the Iaeger-Cedar Bluff line.

For traffic originating at mines such as Fola Mine on the Elmore North Branch, the distance to St. Paul is 44.6 miles shorter using the ACC route via Bluestone and Bluefield than it is using the present NS route via Gilbert, Scagg, Wharncliffe and the Iaeger-Cedar Bluff line.

DUKE/NS 06725

ATTACHMENT A

Page 3 of 3

As shown on Appendix 1, the reroutes result in an increase in total one-way miles for most movements, although in some instances the reroute results in a mileage decrease. All of the capital and mileage-related costs incurred by the ACC to move the rerouted traffic from the origins to the interchange points indicated are included in the SAC for the ACC as shown in Duke's opening evidence. This includes car leasing and maintenance costs. Where the rerouting increases overall miles, the effect is to increase car costs relative to the present NS routing. However, in most instances, the additional miles occur on the ACC, and the SAC analysis presented in Duke's opening evidence encompasses all of the capital and mileage-related costs, including car leasing and maintenance costs, that the ACC incurs to move the rerouted traffic over its lines to/from the new interchange points. The SAC analysis shows that the ACC will yield major savings relative to NS despite the increased mileage.

Car ownership varies from movement to movement, although a majority of the rerouted tonnage moves in shipper-supplied cars. The effect of the longer routings (where they occur) may be increase the car costs absorbed by some shippers unless they are covered by the ACC. However, those shippers will also experience the ACC's substantial savings, which will offset the increases in car costs (which are a small fraction of line-haul charges in any event). Under the circumstances, it would be economically irrational for any shipper whose coal traffic is being rerouted to object to the routing change.

DUKE/NS 06726

EXHIBIT 1

Page 5 of 12

NS AND ACC MILEAGE CHANGES RESULTING FROM TRAFFIC RE-ROUTING

Origin (1)	Destination (2)		Interchange (6)	ACC Miles 1/ (7)	NS Miles 2/ (8)	Total Miles 3/ (9)
A. Change Off Junction from St. Paul, VA to Belmont, NC						
1. HULL	WV HOLT (INT TSCA)	AL	a) St. Paul b) Belmont c) Difference 4/	128.0 369.5 241.5	514.8 468.0 (46.8)	642.8 837.5 194.7
2. PINEVILLE	WV HOLT (INT TSCA)	AL	a) St. Paul b) Belmont c) Difference 4/	129.4 370.8 241.5	514.8 468.0 (46.8)	644.2 838.8 194.7
3. HULL	WV NORTH BIRMINGHAM	AL	a) St. Paul b) Belmont c) Difference 4/	128.0 369.5 241.5	480.2 413.0 (47.2)	588.2 782.5 194.3
4. PINEVILLE	WV NORTH BIRMINGHAM	AL	a) St. Paul b) Belmont c) Difference 4/	129.4 370.8 241.5	480.2 413.0 (47.2)	589.6 783.8 194.3
5. PINNACLE CREEK	WV NORTH BIRMINGHAM	AL	a) St. Paul b) Belmont c) Difference 4/	134.0 375.5 241.5	480.2 413.0 (47.2)	594.2 788.5 194.3
6. SCAGGS	WV NORTH BIRMINGHAM	AL	a) St. Paul b) Belmont c) Difference 4/	149.1 390.6 241.5	480.2 413.0 (47.2)	609.3 803.6 194.3
7. STEER BRANCH	VA NORTH BIRMINGHAM	AL	a) St. Paul b) Belmont c) Difference 4/	32.2 426.8 394.6	480.2 413.0 (47.2)	492.4 839.8 347.4
8. LAVOY	WV PANAMA CITY (INT DOTH)FL		a) St. Paul b) Belmont c) Difference 4/	167.4 408.8 241.5	641.9 526.0 (115.9)	809.3 934.8 125.6
9. STEER BRANCH	VA ARKWRIGHT	GA	a) St. Paul b) Belmont c) Difference 4/	32.2 426.8 394.6	442.5 327.0 (115.5)	474.7 753.8 279.1
10. PONTIKI	KY AUSTELL	GA	a) St. Paul b) Belmont c) Difference 4/	203.2 444.7 241.5	346.2 261.0 (85.2)	549.4 705.7 156.3
11. RAMSEY	VA AUSTELL	GA	a) St. Paul b) Belmont c) Difference 4/	18.8 413.4 394.6	346.2 261.0 (85.2)	365.0 674.4 309.4
12. STEER BRANCH	VA AUSTELL	GA	a) St. Paul b) Belmont c) Difference 4/	32.2 426.8 394.6	346.2 261.0 (85.2)	378.4 687.8 309.4
13. DELBARTON	WV KRANNERT	GA	a) St. Paul b) Belmont c) Difference 4/	200.7 442.2 241.5	303.1 329.0 25.9	503.8 771.2 267.4
14. GLEN ALUM	WV KRANNERT	GA	a) St. Paul b) Belmont c) Difference 4/	147.6 389.0 241.5	303.1 329.0 25.9	450.7 718.0 267.4
15. LAVOY	WV KRANNERT	GA	a) St. Paul b) Belmont c) Difference 4/	167.4 408.8 241.5	303.1 329.0 25.9	470.5 737.8 267.4

DUKE/NS 06727

NS AND ACC MILEAGE CHANGES RESULTING FROM TRAFFIC RE-ROUTING

<u>Origin</u> (1)	<u>Destination</u> (2)		<u>Interchange</u> (6)	<u>ACC</u> <u>Miles 1/</u> (7)	<u>NS</u> <u>Miles 2/</u> (8)	<u>Total</u> <u>Miles 3/</u> (9)
16. SCAGGS	WV KRANNERT	GA	a) St. Paul b) Belmont c) Difference 4/	149.1 390.6 241.5	303.1 313.0 9.9	452.2 703.6 251.4
17. SCARLET GLEN	WV KRANNERT	GA	a) St. Paul b) Belmont c) Difference 4/	208.1 449.6 241.5	303.1 329.0 25.9	511.2 778.6 267.4
18. SIDNEY	KY KRANNERT	GA	a) St. Paul b) Belmont c) Difference 4/	193.1 434.6 241.5	303.1 329.0 25.9	496.2 763.6 267.4
19. TIMBAR	WV KRANNERT	GA	a) St. Paul b) Belmont c) Difference 4/	148.4 389.9 241.5	303.1 329.0 25.9	451.5 718.9 267.4
20. GUND	KY SCHERER	GA	a) St. Paul b) Belmont c) Difference 4/	188.5 430.0 241.5	429.2 313.0 (116.2)	617.7 743.0 125.3
21. JAMBOREE	KY SCHERER	GA	a) St. Paul b) Belmont c) Difference 4/	164.9 406.4 241.5	429.2 313.0 (116.2)	594.1 719.4 125.3
22. MARROWBONE	WV SCHERER	GA	a) St. Paul b) Belmont c) Difference 4/	189.7 431.1 241.5	429.2 313.0 (116.2)	618.9 744.1 125.3
23. PONTIKI	KY SCHERER	GA	a) St. Paul b) Belmont c) Difference 4/	203.2 444.7 241.5	429.2 313.0 (116.2)	632.4 757.7 125.3
24. SAND LICK	KY SCHERER	GA	a) St. Paul b) Belmont c) Difference 4/	190.4 431.9 241.5	429.2 313.0 (116.2)	619.6 744.9 125.3
25. SCARLET GLEN	WV SCHERER	GA	a) St. Paul b) Belmont c) Difference 4/	208.1 449.6 241.5	429.2 313.0 (116.2)	637.3 762.6 125.3
26. SIDNEY	KY SCHERER	GA	a) St. Paul b) Belmont c) Difference 4/	193.1 434.6 241.5	429.2 313.0 (116.2)	622.3 747.6 125.3
27. STEER BRANCH	VA SCHERER	GA	a) St. Paul b) Belmont c) Difference 4/	32.2 426.8 394.6	429.2 313.0 (116.2)	461.4 739.8 278.4
28. TIMBAR	WV SCHERER	GA	a) St. Paul b) Belmont c) Difference 4/	148.4 389.9 241.5	429.2 313.0 (116.2)	577.6 702.9 125.3
29. BIGGS	KY WANSLEY	GA	a) St. Paul b) Belmont c) Difference 4/	187.8 429.3 241.5	371.7 325.0 (46.7)	559.5 754.3 194.8
30. DELBARTON	WV WANSLEY	GA	a) St. Paul b) Belmont c) Difference 4/	200.7 442.2 241.5	371.7 325.0 (46.7)	572.4 767.2 194.8

DUKE/NS 06728

NS AND ACC MILEAGE CHANGES RESULTING FROM TRAFFIC RE-ROUTING

<u>Origin</u> (1)	<u>Destination</u> (2)		<u>Interchange</u> (6)	<u>ACC</u> <u>Miles 1/</u> (7)	<u>NS</u> <u>Miles 2/</u> (8)	<u>Total</u> <u>Miles 3/</u> (9)
31. FOLA MINE	WV WANSLEY	GA	a) St. Paul b) Belmont c) Difference 4/	188.5 430.0 241.5	371.7 325.0 (46.7)	560.2 755.0 194.8
32. GUND	KY WANSLEY	GA	a) St. Paul b) Belmont c) Difference 4/	188.5 430.0 241.5	371.7 325.0 (46.7)	560.2 755.0 194.8
33. JAMBOREE	KY WANSLEY	GA	a) St. Paul b) Belmont c) Difference 4/	184.9 406.4 241.5	371.7 325.0 (46.7)	536.6 731.4 194.8
34. PEVLER	KY WANSLEY	GA	a) St. Paul b) Belmont c) Difference 4/	213.4 454.8 241.5	371.7 325.0 (46.7)	585.1 779.8 194.8
35. SCARLET GLEN	WV WANSLEY	GA	a) St. Paul b) Belmont c) Difference 4/	208.1 449.6 241.5	371.7 325.0 (46.7)	579.8 774.6 194.8
36. SIDNEY	KY WANSLEY	GA	a) St. Paul b) Belmont c) Difference 4/	193.1 434.6 241.5	371.7 325.0 (46.7)	564.8 759.6 194.8
37. TIMBAR	WV WANSLEY	GA	a) St. Paul b) Belmont c) Difference 4/	148.4 389.9 241.5	371.7 325.0 (46.7)	520.1 714.9 194.8
38. TOMS CREEK	VA WANSLEY	GA	a) St. Paul b) Belmont c) Difference 4/	15.2 409.6 394.6	371.7 325.0 (46.7)	386.9 734.8 347.9
39. BIGGS	KY YATES	GA	a) St. Paul b) Belmont c) Difference 4/	187.8 429.3 241.5	371.9 325.0 (46.9)	559.7 754.3 194.6
40. DELBARTON	WV YATES	GA	a) St. Paul b) Belmont c) Difference 4/	200.7 442.2 241.5	371.9 325.0 (46.9)	572.6 767.2 194.6
41. GUND	KY YATES	GA	a) St. Paul b) Belmont c) Difference 4/	188.5 430.0 241.5	371.9 325.0 (46.9)	560.4 755.0 194.8
42. KOPPERSTON	WV YATES	GA	a) St. Paul b) Belmont c) Difference 4/	165.9 407.3 241.5	371.9 325.0 (46.9)	537.8 732.3 194.6
43. SCARLET GLEN	WV YATES	GA	a) St. Paul b) Belmont c) Difference 4/	208.1 449.6 241.5	371.9 325.0 (46.9)	580.0 774.6 194.6
44. SIDNEY	KY YATES	GA	a) St. Paul b) Belmont c) Difference 4/	193.1 434.6 241.5	371.9 325.0 (46.9)	565.0 759.6 194.6
45. STEER BRANCH	VA YATES	GA	a) St. Paul b) Belmont c) Difference 4/	32.2 426.8 394.6	371.9 325.0 (46.9)	404.1 751.8 347.7

DUKE/NS 06729

EXHIBIT 1
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NS AND ACC MILEAGE CHANGES RESULTING FROM TRAFFIC RE-ROUTING

Origin (1)	Destination (2)		Interchange (6)	ACC Miles 1/ (7)	NS Miles 2/ (8)	Total Miles 3/ (9)
46. TIMBAR	WV YATES	GA	a) St. Paul b) Belmont c) Difference 4/	148.4 389.9 241.5	371.9 325.0 (46.9)	520.3 714.9 194.8
47. TOMS CREEK	VA YATES	GA	a) St. Paul b) Belmont c) Difference 4/	15.2 409.8 394.6	371.9 325.0 (46.9)	387.1 734.8 347.7
48. MARTIKI	KY RICHBURG	MS	a) St. Paul b) Belmont c) Difference 4/	197.8 439.3 241.5	706.4 659.0 (47.4)	904.2 1098.3 194.1
49. STEER BRANCH	VA RICHBURG	MS	a) St. Paul b) Belmont c) Difference 4/	32.2 426.8 394.6	706.4 659.0 (47.4)	738.6 1085.8 347.2
50. THOMAS	KY RICHBURG	MS	a) St. Paul b) Belmont c) Difference 4/	185.7 407.2 241.5	706.4 659.0 (47.4)	872.1 1066.2 194.1
51. STEER BRANCH	VA PISGAH FOREST	NC	a) St. Paul b) Belmont c) Difference 4/	32.2 426.8 394.6	220.2 131.0 (89.2)	252.4 557.8 305.4
Subtotal Tons						
B Change Off Junction from Appalachia, VA to Belmont, NC						
1. KELLY VIEW	VA KRANNERT	GA	a) Appalachia b) Belmont c) Difference 4/	10.2 429.8 419.4	303.0 329.0 26.0	313.2 758.8 445.4
2. PARDEE	VA KRANNERT	GA	a) Appalachia b) Belmont c) Difference 4/	10.8 430.2 419.4	303.0 329.0 26.0	313.8 759.2 445.4
3. WENTZ	VA KRANNERT	GA	a) Appalachia b) Belmont c) Difference 4/	5.1 432.9 427.8	303.0 329.0 26.0	308.1 761.9 453.8
4. PARDEE	VA SCHERER	GA	a) Appalachia b) Belmont c) Difference 4/	10.8 430.2 419.4	429.5 313.0 (116.5)	440.3 743.2 302.9
5. KELLY VIEW	VA WANSLEY	GA	a) Appalachia b) Belmont c) Difference 4/	10.2 429.8 419.4	372.0 325.0 (47.0)	382.2 754.8 372.4
6. PARDEE	VA WANSLEY	GA	a) Appalachia b) Belmont c) Difference 4/	10.8 430.2 419.4	372.0 325.0 (47.0)	382.8 755.2 372.4
7. WENTZ	VA WANSLEY	GA	a) Appalachia b) Belmont c) Difference 4/	5.1 432.9 427.8	372.0 325.0 (47.0)	377.1 757.9 380.8
8. KELLY VIEW	VA YATES	GA	a) Appalachia b) Belmont c) Difference 4/	10.2 429.8 419.4	372.2 325.0 (47.2)	382.4 754.8 372.2

DUKE/NS 06730

NS AND ACC MILEAGE CHANGES RESULTING FROM TRAFFIC RE-ROUTING

Origin (1)	Destination (2)		Interchange (6)	ACC Miles 1/ (7)	NS Miles 2/ (8)	Total Miles 3/ (9)
9. PARDEE	VA YATES	GA	a) Appalachia	10.8	372.2	383.0
			b) Belmont	430.2	325.0	755.2
			c) Difference 4/	419.4	(47.2)	372.2
Subtotal Tons						
C. Change Off Junction from St. Paul, VA to Catawba, NC						
1. BIGGS	KY SKYLAND	NC	a) St. Paul	187.8	187.9	375.7
			b) Catawba	403.1	108.0	511.1
			c) Difference 4/	215.3	(79.9)	135.4
2. JAMBOREE	KY SKYLAND	NC	a) St. Paul	184.9	187.9	352.8
			b) Catawba	380.2	108.0	488.2
			c) Difference 4/	215.3	(79.9)	135.4
3. KOPPERSTON	WV SKYLAND	NC	a) St. Paul	185.9	187.9	353.8
			b) Catawba	381.1	108.0	489.1
			c) Difference 4/	215.3	(79.9)	135.4
4. TOMS CREEK	VA SKYLAND	NC	a) St. Paul	15.2	187.9	203.1
			b) Catawba	383.8	108.0	491.8
			c) Difference 4/	368.4	(79.9)	288.5
Subtotal Tons						
D. Change Off Junction from Appalachia, VA to Catawba, NC						
1. KELLY VIEW	VA SKYLAND	NC	a) Appalachia	10.2	188.2	198.4
			b) Catawba	403.4	108.0	511.4
			c) Difference 4/	393.2	(80.2)	313.0
E. Change Off Junction from St. Paul, VA to Charlotte, NC						
1. TIMBAR	WV PORT WENTWORTH	GA	a) St. Paul	148.4	631.0	779.4
			b) Charlotte	378.9	318.0	694.9
			c) Difference 4/	228.5	(313.0)	(84.5)
2. STEER BRANCH	VA COLUMBIA	SC	a) St. Paul	32.2	343.0	375.2
			b) Charlotte	413.8	114.0	527.8
			c) Difference 4/	381.6	(229.0)	152.6
3. BIGGS	KY WATEREE	SC	a) St. Paul	187.8	370.9	558.7
			b) Charlotte	416.3	142.0	558.3
			c) Difference 4/	228.5	(228.9)	(0.4)
4. LUKE	VA WATEREE	SC	a) St. Paul	158.7	370.9	529.6
			b) Charlotte	387.2	142.0	529.2
			c) Difference 4/	228.5	(228.9)	(0.4)
5. STEER BRANCH	VA WATEREE	SC	a) St. Paul	32.2	370.9	403.1
			b) Charlotte	413.8	142.0	555.8
			c) Difference 4/	381.6	(228.9)	152.7
Subtotal Tons						

DUKE/NS 06731

NS AND ACC MILEAGE CHANGES RESULTING FROM TRAFFIC RE-ROUTING

Origin (1)	Destination (2)	Interchange (6)	ACC Miles 1/ (7)	NS Miles 2/ (8)	Total Miles 3/ (9)
F. Change Off Junction from Roanoke, VA to Winston Salem, NC					
1. COLMONT	WV BRICKHAVEN NC	a) Roanoke b) Winston Salem c) Difference 4/	310.7 431.0 120.3	197.4 96.0 (101.4)	508.1 527.0 18.9
2. DELBARTON	WV BRICKHAVEN NC	a) Roanoke b) Winston Salem c) Difference 4/	214.3 349.3 135.0	197.4 96.0 (101.4)	411.7 445.3 33.6
3. FOLA MINE	WV BRICKHAVEN NC	a) Roanoke b) Winston Salem c) Difference 4/	216.8 337.1 120.3	197.4 96.0 (101.4)	414.2 433.1 18.9
4. MABLEY	WV BRICKHAVEN NC	a) Roanoke b) Winston Salem c) Difference 4/	198.0 318.2 120.3	197.4 96.0 (101.4)	395.4 414.2 18.9
5. PEVLER	KY BRICKHAVEN NC	a) Roanoke b) Winston Salem c) Difference 4/	241.7 362.0 120.3	197.4 96.0 (101.4)	439.1 458.0 18.9
6. RAMSEY	VA BRICKHAVEN NC	a) Roanoke b) Winston Salem c) Difference 4/	200.3 320.6 120.3	197.4 96.0 (101.4)	397.7 416.6 18.9
7. SCARLET GLEN	WV BRICKHAVEN NC	a) Roanoke b) Winston Salem c) Difference 4/	238.9 356.7 117.8	197.4 96.0 (101.4)	436.3 452.7 16.4
8. STEER BRANCH	VA BRICKHAVEN NC	a) Roanoke b) Winston Salem c) Difference 4/	213.7 334.0 120.3	197.4 96.0 (101.4)	411.1 430.0 18.9
9. THOMAS	KY BRICKHAVEN NC	a) Roanoke b) Winston Salem c) Difference 4/	194.0 314.3 120.3	197.4 96.0 (101.4)	391.4 410.3 18.9
10. KELLY VIEW	VA CAMP LEJEUNE NC	a) Roanoke b) Winston Salem c) Difference 4/	216.5 336.8 120.3	391.6 291.0 (100.6)	608.1 627.8 19.7
11. MABLEY	WV CAMP LEJEUNE NC	a) Roanoke b) Winston Salem c) Difference 4/	198.0 318.2 120.3	391.6 291.0 (100.6)	589.6 609.2 19.7
12. SIDNEY	KY CARRBORO NC	a) Roanoke b) Winston Salem c) Difference 4/	221.5 341.8 120.3	186.3 85.0 (101.3)	407.8 426.8 19.0
13. LAVOY	WV DURHAM NC	a) Roanoke b) Winston Salem c) Difference 4/	195.7 316.0 120.3	184.6 84.0 (100.6)	380.3 400.0 19.7
14. PONTIKI	KY DURHAM NC	a) Roanoke b) Winston Salem c) Difference 4/	231.5 351.8 120.3	184.6 84.0 (100.6)	416.1 435.8 19.7
15. BIGGS	KY GOLDSBORO NC	a) Roanoke b) Winston Salem c) Difference 4/	216.1 336.4 120.3	259.4 159.0 (100.4)	475.5 495.4 19.9

DUKE/NS 06732

NS AND ACC MILEAGE CHANGES RESULTING FROM TRAFFIC RE-ROUTING

<u>Origin</u> (1)	<u>Destination</u> (2)		<u>Interchange</u> (6)	<u>ACC</u> <u>Miles 1/</u> (7)	<u>NS</u> <u>Miles 2/</u> (8)	<u>Total</u> <u>Miles 3/</u> (9)
16. COLMONT	WV GOLDSBORO	NC	a) Roanoke b) Winston Salem c) Difference 4/	310.7 431.0 120.3	259.4 159.0 (100.4)	570.1 590.0 19.9
17. FOLA MINE	WV GOLDSBORO	NC	a) Roanoke b) Winston Salem c) Difference 4/	218.8 337.1 120.3	259.4 159.0 (100.4)	478.2 498.1 19.9
18. LAVOY	WV GOLDSBORO	NC	a) Roanoke b) Winston Salem c) Difference 4/	195.7 318.0 120.3	259.4 159.0 (100.4)	455.1 475.0 19.9
19. RAMSEY	VA GOLDSBORO	NC	a) Roanoke b) Winston Salem c) Difference 4/	200.3 320.8 120.3	259.4 159.0 (100.4)	459.7 479.8 19.9
20. SAND LICK	KY GOLDSBORO	NC	a) Roanoke b) Winston Salem c) Difference 4/	218.8 338.1 120.3	259.4 159.0 (100.4)	478.2 498.1 19.9
21. THOMAS	KY GOLDSBORO	NC	a) Roanoke b) Winston Salem c) Difference 4/	194.0 314.3 120.3	259.4 159.0 (100.4)	453.4 473.3 19.9
Subtotal Tons						

 TOTAL RE-ROUTED TONS

- 1/ NS Track Charts received in discovery
2/ PCRail v8
3/ col.7 + col.8
4/ Line b) less Line a)

DUKE/NS 06733

CERTIFICATE OF SERVICE

I hereby certify that, on this 24th day of October, 2003, I served the foregoing
"Supplemental Evidence of Defendant Norfolk Southern Railway Company" by causing two (2)
copies thereof to be delivered, in the manner indicated, to:

William L. Slover
Robert D. Rosenberg
Christopher A. Mills
Andrew B. Kolesar III
Slover & Loftus
1224 Seventeenth Street, N.W.
Washington, D.C. 20036
(*By Hand Delivery*)



Gabriel S. Meyer