

BEFORE THE
SURFACE TRANSPORTATION BOARD

CAROLINA POWER & LIGHT COMPANY,

Complainant,

v.

NORFOLK SOUTHERN RAILWAY COMPANY,

Defendant.

STB Docket No. 42072

209480

SUPPLEMENTAL EVIDENCE OF
DEFENDANT NORFOLK SOUTHERN RAILWAY COMPANY

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DATED: November 24, 2003

TABLE OF CONTENTS

	Page
I. INTRODUCTION AND SUMMARY	1
II. REVENUES GENERATED BY CROSSOVER TRAFFIC REROUTED OVER THE SARR	3
III. COSTS ATTRIBUTABLE TO CROSSOVER TRAFFIC REROUTED ON THE SARR	4
A. SARR Configuration	5
1. Devon, WV – Bluefield, VA	6
2. Bluefield – West Roanoke, VA	9
3. NS Lines Southwest of Bluefield, VA	10
B. Net Investment (Construction) Costs Attributable to Rerouted Crossover Traffic	11
C. Operating Plan	13
D. Operating Expenses	15
IV. REVISED DISCOUNTED CASH FLOW AFTER REMOVING COSTS AND REVENUES ATTRIBUTABLE TO THE REROUTES	17

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 14, 2003, in the above-captioned maximum rate reasonableness proceeding (the “October 14 Order”). As NS demonstrated in its evidence and Brief, and as the October 14 Order recognizes, Complainant Carolina Power & Light Company (“CP&L”) shifted substantial volumes of crossover traffic (i.e. traffic that is not local to the SARR) to alternative routes that would significantly change the routing on the residual NS, and would result in a longer overall movement. NS Brief at 17. Based upon the rule articulated in the Board’s recent Duke Energy decision, such reroutes are presumptively invalid.¹

For purposes of a stand-alone cost calculation, two broad categories of costs are affected by CP&L’s rerouting of traffic: investment costs and operating expenses. NS has determined that, if CP&L’s reroutes of crossover traffic were disallowed, the P&SH could realize a net reduction in investment costs of approximately \$ 5.1 million. Elimination of the reroutes would likewise cause a net operating expense reduction of up to \$ 6.5 million per year. This estimate is conservative because it does not include all of the off-SARR costs imposed on the residual NS by CP&L’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

¹ See STB Docket No. 42069, Duke Energy Corp. v. Norfolk Southern Ry. Co. (November 6 2003) (“Duke Energy”) at 25-26. A small volume of crossover traffic rerouted by CP&L was shifted to alternative routes that resulted in a shorter overall length of haul. The Board, in its Duke Energy decision, established a rebuttable presumption that such reroutes are permissible. Because NS was not able, in the limited time available to file this supplemental evidence, to quantify the full costs attributable to those shorter reroutes, it will not attempt to rebut that presumption here. NS’ Supplemental Evidence therefore identifies the impact of disallowing only those CP&L reroutes that would produce a longer overall haul. For convenience, references hereinafter to “rerouted” crossover traffic refer only to such longer rerouted movements.

calculation). See TMPA v. BNSF, STB Doc. 42056 (March 24, 2003), slip op at 21-22, 25: see also n. 7, infra.

Depending on whether the Board accepts NS' base case, or its more realistic alternative case, the base-year SARR revenues attributable to the rerouting of crossover traffic are either \$382 million (using NS' base case revenues) or \$359.6 million (using NS' alternative case revenues). The net result of these adjustments is a \$15.0 million reduction in the cumulative DCF revenue shortfall. See Table V, 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 0.6% (from approximately \$2.69 billion to approximately \$2.68 billion) using NS' base case as the starting point.

Using NS' more realistic alternative case as the starting point, the elimination of 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 0.5% (from approximately \$3.42 billion to approximately \$3.41 billion). Compare NS Reply Exh. III-H-1 and Exh. III-H-2 with NS Supp. Elec. WP "III-H-1 NS No Reroute.123" and "III-H-2 NS No Reroute.123"; see also Tables V & VI, infra. In sum, exclusion of the costs and revenues of the rerouted portions of crossover traffic would have no material effect on the overall result in this case: both with and without the rerouted crossover traffic, stand-alone costs exceed stand-alone revenues by a substantial margin. Therefore, the challenged rates are reasonable, and no rate prescription is warranted.

II. REVENUES GENERATED BY CROSSOVER TRAFFIC REROUTED OVER THE SARR

NS determined the impact on the P&SH's revenues of disallowing those CP&L reroutes that resulted in greater total lengths of haul in the following manner:

First, NS determined the miles that such crossover traffic would move on the P&SH and on the residual NS, respectively, if that traffic were redirected from interchanges at Bluefield or Altavista, VA, to a P&SH/NS interchange at Iaeger, WV (which mirrors the current route of movement on NS).

Second, in order to determine the revenues that the P&SH would earn for its portion of the haul on traffic redirected to the interchange at Iaeger, NS developed an estimate based upon the enhanced mileage prorate methodology advocated in NS' Reply.² Specifically, NS determined that the overall average difference between the P&SH revenues for crossover traffic proffered by CP&L (based upon the modified mileage prorate methodology) and the corresponding revenues resulting from application of the enhanced mileage prorate methodology sponsored by NS, in the parties' cases-in-chief, was approximately 15.2 percent.³ NS calculated the revenues that the P&SH would earn on shipments redirected to Iaeger, WV, using the modified mileage prorate. NS then adjusted those revenues downward by 15.2 percent, to arrive at an estimate of the P&SH revenues that would result from formal application of NS' enhanced mileage prorate methodology.

² In the limited time available to prepare this Supplemental Evidence, NS could not calculate revised P&SH revenues for redirected crossover movements by recreating the enhanced mileage prorate methodology for the entire revised P&SH system. The estimate presented herein, which is based upon the proportionate relationship between P&SH revenues calculated by CP&L (based upon its modified mileage prorate methodology) and the P&SH revenues resulting from application of NS' enhanced mileage prorate methodology in the parties' respective cases-in-chief provides a reasonable proxy measure of the revenue allocation effects of disallowing rerouted crossover traffic.

³ See NS Reply electronic WP "empr CPL revenue_tariff.xls."

NS also submits herewith an “Alternative Case” revenue forecast for P&SH, based upon the same assumptions applied in the “Alternative Case” presented in NS’ Reply. For the reasons explained in NS’ evidence and in its brief (NS Br. 11-14), NS’ Alternative Case represents the best evidence of record regarding the future level of P&SH traffic and revenues. Consistent with its Reply filing, NS submits in this Supplemental evidence three revised revenue forecasts, reflecting NS’ base case, alternative case, and its alternative case without an adjustment for bargaining leverage. As in its Reply evidence, NS has included two DCF runs, one each for its base and alternative cases.

In its recent Duke Energy decision (at 22-25), the Board adopted a “Modified Straight Mileage Prorate” (“MSP”) methodology for calculating the SARR’s share of revenues on crossover traffic. For the Board’s convenience, NS has also recalculated its P&SH revenue forecast associated with the CP&L’s rerouted traffic redirected to the P&SH/NS interchange at Iaeger, WV (for both its “Base Case” and “Alternative Cases”) based on the assumption that the P&SH’s revenue divisions would be determined by application of the MSP methodology.⁴

III. COSTS ATTRIBUTABLE TO CROSSOVER TRAFFIC REROUTED ON THE SARR

NS conducted several analyses to determine the investment costs and operating expenses attributable to crossover traffic rerouted by CP&L. NS witness Kimbrough identified certain changes in the P&SH’s facility requirements that would result from redirecting crossover movements from their “rerouted” P&SH/NS interchange points (Bluefield and Altavista, VA) to an interchange at Iaeger, WV (which would mirror the current route of movement on NS). NS witness Baranowski quantified the impact of those facility changes on the P&SH’s investment

⁴ See NS electronic workpapers “CPL revenue_tariff Revised_noroute STB MMP.xls,” “CPL revenue_tariff, RevALT_noroute STB MMP.xls,” and “CPL revenue_tariff RevALTBargain_noroute STB MMP.xls”

costs. Witness Kimbrough also reviewed the P&SH operating plan presented by NS on Reply, and modified it as necessary to reflect the redirected route of movement for P&SH/NS crossover traffic. Utilizing the same computerized spreadsheet methodology employed in NS' case-in-chief, NS witness Fisher developed revised operating statistics and calculated revised operating expenses for the P&SH, based upon the assumption that CP&L's rerouted crossover traffic would move via Iaeger, WV.

A. SARR Configuration

All of the crossover traffic that was rerouted by CP&L to interchanges with the residual NS at Bluefield or Altavista, VA currently moves via NS' line between Iaeger, WV and Cedar Bluff, VA — a line which was intentionally omitted by CP&L from the P&SH's track network. See NS Reply III-B-10. For example, NS currently handles 1 million tons of coal annually from the Scarlet Glen mine to Duke Energy's power plant at Catawba, NC. This traffic moves via NS' Iaeger – Cedar Bluff line, then via Asheville, NC to Catawba. CP&L rerouted this traffic eastward via Bluefield and West Roanoke to an interchange with NS at Altavista, VA, thereby increasing the P&SH's haul by approximately 200 miles. CP&L Op. Exh. III-A-4 (copy attached hereto as NS Supplemental Exhibit). Likewise, CP&L rerouted shipments from the Kopperston mine destined to its power plant at Skyland, NC (which currently move via the Iaeger – Cedar Bluff line) to an interchange with NS at Bluefield, VA. Id.

NS witness Kimbrough analyzed the impact on the P&SH's track capacity requirements of redirecting these (and other) rerouted crossover shipments to an interchange with NS at Iaeger, WV.⁵ Based upon that analysis, witness Kimbrough identified certain modifications that should be made to the P&SH network posited in Part III.B of NS' Reply if CP&L's reroutes are

⁵ In CP&L's case-in-chief, Iaeger was not designated as an interchange point between P&SH and NS.

disallowed. Those changes fall into two categories. Mr. Kimbrough identified certain passing tracks and yard facilities along the P&SH's line between Devon, WV and Bluefield, VA that would not be needed if the subject crossover traffic were interchanged at Iaeger, WV.

Mr. Kimbrough also identified certain additional track facilities that would be needed by the P&SH at Iaeger, WV to accommodate a new (and substantial) P&SH/NS interchange at that location. The specific location of, and rationale for, each of these modifications to the P&SH's configuration are discussed below.

1. Devon, WV – Bluefield, VA

Mr. Kimbrough's analysis of the impact of disallowing the reroutes proposed by CP&L identified the following modifications to the P&SH's track configuration between Devon, WV and Bluefield, VA:

Devon, WV. NS' Reply (at III-C-30) demonstrated that crossover trains operating between P&SH-served mines, on the one hand, and various NS-served destinations in Georgia, Mississippi, Tennessee and Alabama, on the other hand, would never pass through CP&L's proposed inspection facilities at Kenova, WV or West Roanoke, VA. Therefore, witness Kimbrough proposed that an additional P&SH 1000-mile inspection point be established at Bluefield, VA. Id. However, if the subject crossover trains were redirected to a P&SH/NS interchange at Iaeger, WV, they would not pass through Bluefield, either. Accordingly, the P&SH would need the capability to inspect these empty trains at an alternate location along their route of movement.

Witness Kimbrough determined that Devon, WV would be a logical point at which to perform such inspections, for several reasons. It would be difficult to construct inspection facilities at Iaeger, given the physical constraints at that location. Moreover, as NS' Reply (at III-B-66 to 67) showed, the P&SH would, in any event, be required to construct a substantially

larger yard facility at Devon than that proposed by CP&L. Witness Kimbrough determined that the Devon Yard, as proposed by NS in its Reply, would have adequate track facilities to accommodate the inspection of empty trains received from NS at Iaeger. Thus, no additional track facilities would be required to perform inspections at Devon. The personnel (9 carmen and one manager) assigned to Bluefield, VA in NS' case-in-chief (see NS Reply Exh. III-D-1) could be reassigned to perform the same duties at Devon.

Iaeger, WV. CP&L's case-in-chief did not contemplate any interchange activity at Iaeger, WV, and its design for the P&SH did not include any interchange facilities at that location. See CP&L Op. III-C-5; CP&L Reb. Exh. III-B-3 at 10. However, if CP&L's reroutes are disallowed, the P&SH and NS would interchange approximately 10.8 million tons of coal traffic at Iaeger per year. See NS Supp. WP "III-A-4 Modified v2.xls," Sheet 1. Mr. Kimbrough determined that the P&SH would be required to construct three tracks in the vicinity of Iaeger, WV to accommodate this substantial new interchange operation.⁶ These tracks would be used to stage trains for interchange with NS, to block empty cars returning to the mines, and to hold trains awaiting a P&SH crew (The home terminal for P&SH crews operating trains to/from the interchange at Iaeger would be Devon, WV).

Bluefield, VA. Redirecting P&SH crossover traffic from interchanges at Bluefield and Altavista, VA to a new interchange at Iaeger, WV would reduce the number of daily train movements on the P&SH line between Iaeger and Bluefield from an average of 14.1 loaded trains per day to 11.2 loaded trains per day. See NS Supp. WP "Comparison of OPSTATS (CPL-NS) v1.xls," Tab "Gross Ton Miles Summary." The actual number of daily train movements on this segment (including empty trains) would be approximately double those

⁶ As discussed below, the addition of these three tracks at Iaeger would be offset by the elimination of four yard tracks at Bluefield, VA.

figures, or 28.2 and 22.3 trains, respectively. This reduction in through train activity would enable the P&SH to eliminate certain track facilities on its line between Iaeger, WV and Bluefield, VA.

First, NS' Reply (at III-B-39 to 41 and Table III-B-4) proposed a third main track between in the vicinity of Bluestone, WV. Mr. Kimbrough determined that, if CP&L's rerouting of crossover traffic is disallowed, the P&SH would not require triple-track on this 11-mile segment.

Second, the reduction in interchange activity at Bluefield, VA would enable the P&SH to reduce its yard facilities at Bluefield. Under CP&L's case-in-chief, Bluefield Yard would be required to accommodate the staging of trains for interchange to/from NS, the inspection of empty trains received from NS, the blocking of empty cars for return movement to the mines, holding bad order cars, the staging of trains for delivery to P&SH customers at Celco and Glen Lyn, VA, and to support the P&SH's main line track facilities in handling the high volume of train and light helper unit movements in the area. See NS Reply III-B-68 to 69. In its case-in-chief, NS demonstrated that the four-track yard proposed by CP&L at Bluefield would not be adequate to accommodate these functions. Accordingly, witness Kimbrough proposed that six additional 7000-foot tracks be constructed by the P&SH at Bluefield Yard. Id. However, Mr. Kimbrough determined that, if the interchange of certain crossover trains were moved to Iaeger, WV, and those trains were inspected (in the empty direction) at Devon rather than at Bluefield, the P&SH's Bluefield Yard could be reduced from ten 7000-foot tracks (as proposed in NS' Reply) to six 7000-foot tracks. As NS showed above, three of the four tracks eliminated from Bluefield Yard would have to be constructed at Iaeger, WV to accommodate the interchange of crossover trains at that location. A six-track facility would be adequate to

accommodate the remaining P&SH/NS interchange (consisting of coal shipments originating on NS' lines southwest of Bluefield, and interchanged to P&SH for movement to Roanoke and beyond), as well as other functions to be performed at Bluefield.

The other track additions between Devon, WV and Bluefield, VA proposed by NS in its Reply (at III-B-39 to 41 and Table III-B-4) would still be required to accommodate the volume of P&SH train activity, and the light movement of helper units, in an efficient manner.

2. Bluefield – West Roanoke, VA

Redirecting P&SH crossover traffic from interchanges at Bluefield and Altavista, VA to a new interchange at Iaeger, WV would not have a significant impact on the P&SH's line between Bluefield and West Roanoke. Specifically, if CP&L's reroutes were disallowed, train activity on the Bluefield – West Roanoke segment would decrease from 14.3 loaded trains per day to 13.7 loaded trains per day, a difference of only 4 percent. See NS Supp. WP "Comparison of OPSTATS (CPL-NS) v1.xls," tab "Gross Ton Miles Summary." Mr. Kimbrough reviewed the track additions on the P&SH's line between Bluefield and West Roanoke, VA proposed in NS' Reply (see NS Reply III-C-41, Table III-B-4). He determined that the modest decrease in train activity on the Bluefield–West Roanoke segment — which would still experience an average of more than 27 daily loaded and empty through trains, in addition to local movements to and from P&SH customer facilities at Celco and Glen Lyn, VA — would not eliminate the need for any of the track facilities proposed in NS' Reply. Mr. Kimbrough also determined that the two additional 7000-foot tracks at West Roanoke Yard proposed in NS' Reply (at III-B-70) would still be required to enable the P&SH to classify export coal shipments originating at multiple mines (which movements would not be affected by the disallowance of CP&L's reroutes).

West Roanoke, VA – Hyco, NC. The disallowance of CP&L's rerouting of crossover traffic would have a minimal impact on the P&SH's line between West Roanoke, VA and Hyco, NC. A small volume of traffic was rerouted by CP&L from its current route via Iaeger, WV to an interchange at Altavista, VA (approximately 46 miles east of West Roanoke). None of the rerouted traffic moves over the P&SH line between Altavista and Hyco, NC. No changes in the track facilities between West Roanoke and Hyco proposed in NS' Reply would be required if CP&L's reroutes were disallowed.

3. NS Lines Southwest of Bluefield, VA

NS' Reply demonstrated that CP&L's decision to reroute P&SH/NS crossover traffic would create substantial capacity problems for NS on its lines southwest of Bluefield, VA. See NS Reply III-B-73 to 74. The NS line most affected by CP&L's routing decisions was the segment between Bluefield and Richlands, VA, which would experience an increase of more than 60 percent in annual gross tonnage (from 24 million gross tons to nearly 40 million gross tons). Id. III-B-74. NS identified certain capital improvements that would, at a minimum, be required to mitigate the impact of this massive increase in traffic, and to permit the fluid movement of P&SH crossover traffic on NS' line southwest of Bluefield. Id. NS estimated that the total cost of these capital projects would be approximately \$ 3.5 million. NS Reply III-F-154. If the rerouting of crossover traffic proposed by CP&L were disallowed, these off-SARR capacity improvements would not be necessary.

CP&L's evidence did not account for the additional investment the residual NS would be required to make to accommodate the rerouted crossover traffic. Because the Board emphasized the narrow scope of its request for supplemental evidence, NS has not developed a comprehensive estimate of all of the capital and operating costs imposed on it by CP&L'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 P&SH crossover traffic, nor does it consider the effect of CP&L’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 is beyond the scope of the October 14 Order.

The net change in the P&SH’s road property investment costs resulting from the modifications to the P&SH’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 CP&L’s reroutes of crossover traffic. To make this calculation, NS adjusted specific inputs to its investment cost spreadsheet to reflect those configuration changes (removing main and yard tracks, adding interchange tracks at Iaeger, removing additional tracks on NS’ line southwest of Bluefield, etc.). Holding all other parameters and inputs constant, NS then re-calculated the costs for all road property investment components. To determine the changes in investment costs resulting from disallowance of the rerouted crossover traffic, NS started with the Section III-F electronic workpapers 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 P&SH traffic patterns for this restatement. For example, to reflect the reduction in required capacity associated with the removal of rerouted traffic from the P&SH line between Devon and Bluefield, NS removed the third track and four yard tracks at Bluefield

(described above) from the track inventories in its Reply evidence. See NS Supp. WP electronic file "III-F - Construction Total CPL 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 number and/or length of main and yard tracks were reduced for the appropriate line segments, again allowing the changes automatically to flow through the inventories and investment calculations. Details of these calculations are set forth in NS' revised construction cost work papers. Id.

NS then compared 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 I.

TABLE I
P&SH Construction Costs

Account No.	Account Name	NS Reply (Reroutes Included)	Modified Off Junction (No Reroutes)	Difference
01	Engineering	\$ 396,384,257	\$ 396,213,890	\$ 170,367
02	Land	42,129,212	42,127,905	1,307
03	Grading	1,294,885,180	1,294,195,752	689,427
05	Tunnels	546,002,011	545,985,370	16,641
06	Bridges & Culverts	441,677,525	437,645,208	4,032,317
08	Ties	139,471,156	139,481,430	(10,274)
09	Rail and OTM	327,501,567	327,245,108	256,459
11	Ballast	132,112,271	132,092,975	19,296
12	Track Labor	177,063,665	177,095,034	(31,368)
13	Fences and Roadway Signs	1,334,448	1,334,211	237
17	Roadway Buildings	14,146,269	14,145,832	437
19	Fuel Stations	14,546,535	14,546,087	449
23	Shops and Enginehouses	27,835,022	27,834,162	860
26	Communication Systems	102,813,114	102,809,939	3,175
27	Signals & Interlockers	63,817,810	63,815,841	1,969
39	Public Improvements	30,452,226	30,451,282	944
Total		\$ 3,752,172,268	\$3,747,020,026	\$5,152,243

C. Operating Plan

Witness Kimbrough also considered the extent to which redirecting the subject crossover traffic from the Bluefield and Altavista, VA interchanges to a new P&SH/NS interchange at Iaeger, WV would require adjustments to the P&SH operating plan set forth in Part III.C. of NS' Reply.⁷ Likewise, NS witness Fisher conducted a revised spreadsheet analysis to develop revised operating statistics for the P&SH, based upon the assumption that CP&L's rerouting of crossover traffic was disallowed.⁸ Based upon Mr. Kimbrough's analysis of the changes in traffic routing and train operations resulting from disallowance of CP&L's reroutes, and Mr. Fisher's revised spreadsheet analysis, NS identified the following impacts on the operating plan for the P&SH presented in NS' Reply:

Road Locomotives. NS' Reply proposed a road locomotive fleet consisting of 197 units (including helpers and spares.) See NS Reply III-C-12 to 15. Based upon the changes in the P&SH's traffic and route configuration described above, witness Fisher determined that, if CP&L's proposed reroutes were disallowed, the P&SH would need a road locomotive fleet of 192 units, or 5 fewer road locomotives than provided for in NS' Reply. This revised figure includes one (1) less helper locomotive. Mr. Kimbrough determined that the reduction in train activity between Iaeger, WV and Bluefield, VA would enable the P&SH to reduce the number of helper crews per shift from five to four, and to eliminate one helper locomotive, on the segment between Welch and Bluefield.

Rail Cars. Mr. Fisher's revised spreadsheet analysis determined that redirecting crossover traffic to its natural route of movement would reduce the P&SH's coal car

⁷ Witness Kimbrough developed and sponsored the operating plan presented by NS in its Reply.

⁸ The methodology employed by witness Fisher in conducting his spreadsheet analysis is described in NS' Reply at III-C-4 to 5.

requirements from 4,586 cars (see NS Reply III-C-17, Table III-C-2) to 4,523 cars, a difference of 63 coal cars. The P&SH's grain-car fleet, consisting of 244 cars, would remain unchanged.

Interchanges. If CP&L's rerouting of crossover traffic were disallowed, the P&SH would continue to interchange traffic with the residual NS at both Bluefield and Altavista, VA (albeit with reduced interchange volumes at both locations). As described above, a new interchange would be established at Iaeger, WV to accommodate the redirected traffic flows.

Train Inspections. If CP&L's proposed rerouting of crossover traffic were disallowed, the P&SH would need to inspect the empty trains that it received in interchange from NS at Iaeger. For the reasons set forth above, witness Kimbrough determined that Devon, WV would be the most logical location at which to conduct those inspections. The car inspection personnel assigned to Bluefield in NS' case-in-chief could be reassigned to Devon to perform that work.

Operating Personnel. Mr. Fisher's revised spreadsheet analysis determined that redirecting P&SH/NS crossover traffic to an interchange at Iaeger, WV would reduce the P&SH's T&E crew requirements from the 402 crew persons contemplated by NS' Reply (NS Reply III-D-20) to 380 crew persons, a difference of 22 crew persons. Mr. Kimbrough determined that such changes would eliminate the need for one Manager Train Operations ("MTO") at Bluefield. The operating personnel changes identified by witnesses Kimbrough and Fisher are summarized in Table II below.

TABLE II
2002 P&SH Personnel Requirements – Differences From NS Base Case

	NS Base Case (Reroutes Included)	Difference (Excluding Reroutes)
Transportation		
T&E Crew Persons (including helper)	402	(22)
Manager Train Operations – Bluefield, VA	1	(1)
Net Transportation Difference		(23)
Mechanical		
Manager Mechanical Ops – Bluefield, VA	1	(1)
Carmen/Inspectors – Bluefield, VA	9	(9)
Manager Mechanical Ops - Devon, WV	–	+1
Carmen/Inspectors – Devon, WV	–	+9
Net Mechanical Difference		0
General & Administrative		
Manager Coal Operations	6	(1)
Net G&A Difference		(1)
Net Difference Overall		(24)

D. Operating Expenses

To determine the net on-SARR operating costs attributable to CP&L's rerouted crossover traffic, NS used the same computer spreadsheet analysis used in preparing its Reply. NS witness Fisher simply changed the "off-SARR" junction point for the subject crossover traffic from Bluefield or Altavista (as applicable) to Iaeger, WV, to return that traffic to the route most accurately resembling the route over which such traffic moves on NS today. For the small volume of rerouted crossover traffic that CP&L hypothesized the P&SH would receive from NS at Bluefield, Mr. Fisher changed the "on-junction." See NS Supplemental Exhibit; CP&L Op Exh. III-A-4. He then re-ran the spreadsheet analysis to generate revised operating statistics (locomotive unit miles, car-miles, crews, etc.) for the P&SH based upon this redirection of P&SH/NS crossover traffic. See NS Supp. WP "LUMs and Carmiles (CPL-NS) v2 (Modified Off Jct).xls." NS also modified the inputs to the spreadsheet that compute stand-alone

maintenance-of-way expenses to incorporate changes caused by redirecting improperly rerouted crossover traffic to Iaeger. 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 cases-in-chief, witness Fisher held all other parameters and inputs to his spreadsheet constant. See October 14 Order. Table III summarizes the impact of eliminating CP&L’s proposed reroutes on several key operating statistics.⁹

TABLE III
2002 P&SH Operating Statistics

	Base Case	Modified Off Junction	Difference from NS Base Case	% Difference from Base Case
GTMs	23.88B	22.62B	(1.26B)	(5.3%)
T&E Crew Persons (Includes Road, Yard, and Helper)	402	380	(22)	(5.5%)
Overnights	15,080	13,306	(1,774)	(11.8%)
Taxi Trips	27,616	26,402	(1,214)	(4.4%)
AC44 Locomotives	197	192	(5)	(2.3%)
LUMs (Includes Road and Helper)	9.04M	8.56M	(0.48M)	(5.3%)
System Coal Cars	4,586	4,523	(63)	(1.4%)
System Grain Cars	244	244	–	0.0%
Coal Tons	63.8M	63.8M	–	0.0%
Grain Tons	3.8M	3.8M	–	0.0%
Trackage Rights Fees	\$2.17M	\$2.17M	–	0.0%

NS used these revised operating statistics and equipment requirements to calculate revised operating costs for the P&SH, assuming that crossover traffic rerouted by CP&L would be redirected to a P&SH/NS interchange at Iaeger, WV. NS then compared these revised operating costs with the operating costs NS previously calculated on Reply (which assumed that such traffic would be rerouted in the manner proposed by CP&L) to determine the annual change

⁹ The effect of disallowing CP&L’s proposed reroutes on all relevant operating statistics is set forth in NS Supp WP “Comparison of OPSTATS(CPL-NS) v1.xls” tab “OPSTATS

in SARR operating expenses that would result from disallowance of CP&L's crossover traffic reroutes. Based on this analysis, NS determined that annual SARR operating expenses attributable to CP&L's rerouting of crossover traffic total approximately \$6.5 million. The major components of those additional costs are set forth in Table IV.

TABLE IV
2002 P&SH Operating Expenses – Difference From Base Case (\$ in millions)

Item	NS Base Case (Including Reroutes)	Modified Off Junction	Difference
Train & Engine Personnel	\$37.62	\$35.45	(\$2.17)
Locomotive Lease Expense	35.40	34.61	(0.79)
Locomotive Maintenance Expense	25.04	24.48	(0.55)
Locomotive Operating Expense	26.77	25.35	(1.41)
Railcar Lease Expense	25.10	24.76	(0.34)
Material & Supply Operating	1.55	1.53	(0.02)
Ad Valorem Tax	5.90	5.90	–
Operating Managers	10.83	10.70	(0.12)
General & Administration	33.55	33.01	(0.54)
Other Expenses	4.24	4.28	+0.03
Loss and Damage	0.09	0.09	–
Insurance	6.25	6.09	(0.16)
Maintenance of Way	42.83	42.42	(0.41)
Total Annual Cost	\$255.15	\$248.67	(\$6.48)

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

Comparison" and "NS Supp. WP "Operating Expense NS (Modified)" tab "SARR Base Exp".

costs and revenues attributable to the rerouted traffic. Holding all other variables and 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 V compares NS' base case 20-year DCF with and without the costs and revenues attributable to rerouted crossover traffic.

TABLE V
(Millions)

Year	Quarter	A Annual Revenue No Reroutes	B Annual Revenue Including Reroutes	C Difference (A – B)	D Stand-Alone Cost No Reroutes	E Stand-Alone Cost Including Reroutes	F Difference (D – E)	G Net Difference ¹⁰ (C – F)
2002	2, 3 & 4	\$292.6	\$299.0	(\$6.5)	\$490.4	\$495.7	(\$5.3)	(\$1.2)
2003	All	462.3	468.7	(6.4)	684.1	691.9	(7.7)	1.3
2004	All	461.2	467.9	(6.8)	692.9	700.6	(7.6)	0.9
2005	All	444.3	450.6	(6.2)	702.1	709.6	(7.5)	1.3
2006	All	439.8	445.9	(6.1)	716.1	723.7	(7.6)	1.5
2007	All	450.8	457.0	(6.2)	736.1	744.0	(7.9)	1.6
2008	All	455.3	461.5	(6.3)	754.3	762.3	(8.0)	1.8
2009	All	459.0	465.3	(6.3)	772.5	780.7	(8.2)	2.0
2010	All	459.8	466.0	(6.2)	790.2	798.6	(8.4)	2.2
2011	All	490.8	497.6	(6.8)	819.6	828.5	(8.9)	2.1
2012	All	498.4	505.3	(6.9)	840.5	849.6	(9.1)	2.3
2013	All	497.2	503.9	(6.7)	858.5	867.8	(9.2)	2.5
2014	All	500.9	507.6	(6.7)	878.9	888.3	(9.4)	2.7
2015	All	507.1	513.7	(6.7)	900.9	910.6	(9.6)	3.0
2016	All	517.5	524.2	(6.7)	925.5	935.5	(9.9)	3.2
2017	All	521.3	527.9	(6.6)	947.8	958.0	(10.1)	3.5
2018	All	518.9	525.3	(6.4)	968.1	978.4	(10.2)	3.8
2019	All	532.3	538.8	(6.5)	994.9	1,005.4	(10.6)	4.1
2020	All	541.0	547.5	(6.5)	1,020.0	1,030.8	(10.8)	4.3
2021	All	553.8	560.4	(6.6)	1,048.0	1,059.2	(11.2)	4.5
2022	1	138.5	140.1	(1.7)	266.5	269.4	(2.8)	1.2

¹⁰ 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 exceed revenues would increase by a small amount in the first year, and then decrease (also by relatively small amounts) during the remaining years of the DCF period.

Table VI compares NS' Alternative Case 20-year DCF with and without the costs and revenues attributable to rerouted crossover traffic.

TABLE VI
(Millions)

Year	Quarter	A Annual Revenue No Reroutes	B Annual Revenue Including Reroutes	C Difference (A – B)	D Stand-Alone Cost No Reroutes	E Stand-Alone Cost Including Reroutes	F Difference (D – E)	G Net Difference (C – F)
2002	2, 3 & 4	\$275.1	\$281.0	(\$5.9)	\$490.2	\$495.9	(\$5.7)	(\$0.2)
2003	All	365.9	365.6	0.3	654.6	661.8	(7.2)	7.5
2004	All	357.6	364.6	(6.9)	664.0	671.1	(7.1)	0.2
2005	All	352.0	358.7	(6.7)	676.5	683.6	(7.1)	0.4
2006	All	346.0	352.6	(6.6)	689.5	696.6	(7.2)	0.6
2007	All	340.2	346.5	(6.4)	702.8	710.0	(7.2)	0.8
2008	All	334.5	340.7	(6.2)	716.5	723.7	(7.2)	1.0
2009	All	329.0	335.1	(6.0)	731.5	738.7	(7.3)	1.2
2010	All	323.7	329.6	(5.9)	746.4	753.7	(7.3)	1.4
2011	All	319.5	325.2	(5.7)	761.8	769.1	(7.3)	1.6
2012	All	321.5	327.2	(5.7)	780.3	787.7	(7.5)	1.8
2013	All	323.6	329.3	(5.7)	799.2	806.9	(7.6)	1.9
2014	All	326.0	331.7	(5.7)	818.7	826.5	(7.8)	2.1
2015	All	328.5	334.2	(5.7)	838.7	846.6	(7.9)	2.2
2016	All	331.2	337.0	(5.7)	859.5	867.6	(8.1)	2.4
2017	All	336.5	342.3	(5.8)	881.5	889.8	(8.3)	2.6
2018	All	342.0	347.8	(5.8)	904.1	912.7	(8.5)	2.7
2019	All	347.7	353.5	(5.9)	927.4	936.1	(8.8)	2.9
2020	All	353.4	359.3	(5.9)	951.2	960.2	(9.0)	3.1
2021	All	359.3	365.2	(6.0)	975.7	984.9	(9.2)	3.2
2022	1	89.8	91.3	(1.5)	247.7	250.1	(2.3)	0.8

For the Board's convenience, four full revised DCFs (comprising two DCFs each for NS' Base Case and its Alternative Case, using (i) revenues generated using NS' enhanced modified mileage prorate methodology, and (ii) revenues calculated using the MSP allocation approach the Board used in Duke Energy), are included 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 0.6% 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 CP&L.

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DATED: November 24, 2003

EXHIBIT

NS Supplemental Exhibit

Page 1 of 4

[CP&L Opening] Exhibit III-A-4

Page 1 of 4

NS and Piedmont RR Mileage Changes Resulting From Traffic Re-routing

<u>O/D</u> (1)	<u>Tons</u> (2)	<u>Interchange</u> (3)	<u>P&SH</u> <u>Miles 1/</u> (4)	<u>NS</u> <u>Miles 2/</u> (5)	<u>Total</u> <u>Miles 3/</u> (6)
A. Change Off Junction from laeger, WV to Altavista, VA					
1. Pevler, KY - Catawba, NC		a) laeger	88.1	368.1	456.2
		b) Altavista	288.3	176.6	464.9
		c) Difference 4/	200.2	(191.5)	8.7
2. Biggs, Ky - Catawba, NC		a) laeger	61.9	368.1	430.0
		b) Altavista	262.1	176.6	438.7
		c) Difference 4/	200.2	(191.5)	8.7
3. Colmont, WV - Catawba, NC		a) laeger	156.5	368.1	524.6
		b) Altavista	356.7	176.6	533.3
		c) Difference 4/	200.2	(191.5)	8.7
4. Delbarton, WV - Catawba, NC		a) laeger	77.3	368.1	445.4
		b) Altavista	277.5	176.6	454.1
		c) Difference 4/	200.2	(191.5)	8.7
5. Gund, KY - Catawba, NC		a) laeger	62.7	368.1	430.8
		b) Altavista	262.9	176.6	439.5
		c) Difference 4/	200.2	(191.5)	8.7
6. Mabley, KY - Catawba, NC		a) laeger	43.8	368.1	411.9
		b) Altavista	244.0	176.6	420.6
		c) Difference 4/	200.2	(191.5)	8.7
7. Pontiki, KY - Catawba, NC		a) laeger	77.3	368.1	445.4
		b) Altavista	277.5	176.6	454.1
		c) Difference 4/	200.2	(191.5)	8.7
8. Scaggs, KY - Catawba, NC		a) laeger	23.2	368.1	391.3
		b) Altavista	223.4	176.6	400.0
		c) Difference 4/	200.2	(191.5)	8.7
9. Scarlet Glen, WV - Catawba, NC		a) laeger	82.2	368.1	450.3
		b) Altavista	282.4	176.6	459.0
		c) Difference 4/	200.2	(191.5)	8.7
10. Timbar, WV - Catawba, NC		a) laeger	22.5	368.1	390.6
		b) Altavista	222.7	176.6	399.3
		c) Difference 4/	200.2	(191.5)	8.7
11. Luke, VA - Catawba, NC		a) laeger	32.9	368.1	401.0
		b) Altavista	233.1	176.6	409.7
		c) Difference 4/	200.2	(191.5)	8.7
12. Stric, VA - Catawba, NC		a) laeger	49.1	368.1	417.2
		b) Altavista	249.3	176.6	425.9
		c) Difference 4/	200.2	(191.5)	8.7

NS Supplemental Exhibit

Page 2 of 4

[CP&L Opening] Exhibit III-A-4
Page 2 of 4

NS and Piedmont RR Mileage Changes Resulting From Traffic Re-routing

<u>O/D</u> (1)	<u>Tons</u> (2)	<u>Interchange</u> (3)	<u>P&SH Miles 1/</u> (4)	<u>NS Miles 2/</u> (5)	<u>Total Miles 3/</u> (6)
13. Glen Alum, WV - Catawba, NC		a) laeger	21.7	368.1	389.8
		b) Altavista	221.9	176.6	398.5
		c) Difference 4/	200.2	(191.5)	8.7
14. Jamboree, KY - Catawba, NC		a) laeger	39.0	368.1	407.1
		b) Altavista	239.2	176.6	415.8
		c) Difference 4/	200.2	(191.5)	8.7
15. Biggs, KY - Wateree, SC		a) laeger	61.9	458.0	519.9
		b) Altavista	262.1	322.4	584.5
		c) Difference 4/	200.2	(135.6)	64.6
16. Luke, WV - Wateree, SC		a) laeger	32.9	458.0	490.9
		b) Altavista	233.1	322.4	555.5
		c) Difference 4/	200.2	(135.6)	64.6
17. Timbar, WV - Port Wentworth, GA		a) laeger	22.5	718.1	740.6
		b) Altavista	222.7	498.3	721.0
		c) Difference 4/	200.2	(219.8)	(19.6)
18. Timbar, WV - Savannah, GA		a) laeger	22.5	725.5	748.0
		b) Altavista	222.7	505.7	728.4
		c) Difference 4/	200.2	(219.8)	(19.6)
Subtotal tons	3,910,380				
B. Change Off Junction from laeger, WV to Bluefield, VA - Origins on Elmore Branches					
1. Kopperston, WV - Carbo, VA		a) laeger	57.2	78.4	135.6
		b) Bluefield	89.3	69.1	158.4
		c) Difference 4/	32.1	(9.3)	22.8
2. Kopperston, WV - Skyland, NC		a) laeger	57.2	275.0	332.2
		b) Bluefield	89.3	265.7	355.0
		c) Difference 4/	32.1	(9.3)	22.8
3. Kopperston, WV - Yates, GA		a) laeger	57.2	459.0	516.2
		b) Bluefield	89.3	449.7	539.0
		c) Difference 4/	32.1	(9.3)	22.8
Subtotal tons	449,347				

NS and Piedmont RR Mileage Changes Resulting From Traffic Re-routing

C. Change Off Junction From Iaeger, WV to Bluefield, WV - Origins not on Elmore Branch 5/

<u>Destination</u> (1)	<u>Origin</u> (2)	<u>Tons</u> (3)
1. HOLT,AL	HULL, WV	
2. NORTH BIRMINGHAM,AL	HULL, WV SCAGGS, WV	
3. PANAMA CITY,FL	LAVOY, WV	
4. AUSTELL,GA	PONTIKI, KY	
5. KRANNERT,GA	GLEN ALUM, WV LAVOY, WV SCAGGS, WV SCARLET GLEN, WV SIDNEY, KY	
6. SCHERER,GA	GUND, KY JAMBOREE, KY MARROWBONE, WV PONTIKI, KY SAND LICK, KY SCARLET GLEN, WV SIDNEY, KY TIMBAR, WV	
7. WANSLEY,GA	GUND, KY JAMBOREE, KY PEVLER, KY SCARLET GLEN, WV SIDNEY, KY TIMBAR, WV	
8. YATES,GA	GUND, KY SCARLET GLEN, WV SIDNEY, KY TIMBAR, WV	
9. RICHBURG,MS	MARTIKI, KY THOMAS, KY	
10. EMORY GAP, TN	MARTIKI, KY PEVLER, KY THOMAS, KY	
11. KINGSPORT, TN	JAMBOREE, KY MABLEY, WV STRIC, VA	
12. MCCLOUD, TN	JAMBOREE, KY MARTIKI, KY	
13. CARBO, VA	SCARLET GLEN, WV THOMAS, KY	
Subtotal Tons		8,205,319

NS Supplemental Exhibit
Page 4 of 4

[CP&L Opening] Exhibit III-A-4
Page 4 of 4

NS and Piedmont RR Mileage Changes Resulting From Traffic Re-routing

D. Change On Junction From Iaeger, WV to Bluefield, WV 5/

Origin (1)	Destination (2)	Tons (3)
1. AMONATE,VA	WHEELERSBURG TERM,OH	
2. CALVIN,VA	AVON LAKE,OH	
3. CLINCHFIELD,VA	CEREDO,WV GARY,IN	
4. CRITICAL FORK,VA	KENOVA,WV	
5. GRACELAND,VA	ASHTABULA HARBOR,OH CONNEAUT,OH	
6. KELLY VIEW,VA	WHEELERSBURG TERM,OH	
7. NEWHALL,WV	WHEELERSBURG TERM,OH	
8. STEER BRANCH,VA	KENOVA,WV	
Subtotal tons		597,201
GRAND TOTAL Re-routed tons		13,162,247

1/ NS Track Charts received in discovery

2/ PCRail v8

3/ col.4 + col.5

4/ Line b) less Line a)

5/ Interchange at Bluefield, VA rather than Iaeger, WV adds a total of 40.0 miles to each movement.
NS route miles are reduced by 8.3 miles and Piedmont RR route miles are increased by 49.3 miles

BEFORE THE
SURFACE TRANSPORTATION BOARD

_____	)	
CAROLINA POWER & LIGHT COMPANY,	)	
	)	
<u>Complainant,</u>	)	
	)	
v.	)	STB Docket No. 42072
	)	
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 November, 2003.


Michael R Baranowski

BEFORE THE
SURFACE TRANSPORTATION BOARD

CAROLINA POWER & LIGHT COMPANY,

Complainant,

v.

NORFOLK SOUTHERN RAILWAY COMPANY,

Defendant.

STB Docket No. 42072

VERIFICATION AND STATEMENT OF QUALIFICATIONS

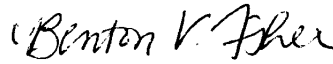
BENTON V. FISHER

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 November, 2003.



Benton V. Fisher

BEFORE THE
SURFACE TRANSPORTATION BOARD

CAROLINA POWER & LIGHT COMPANY,

Complainant,

v.

NORFOLK SOUTHERN RAILWAY COMPANY,

Defendant.

STB Docket No. 42072

VERIFICATION AND STATEMENT OF QUALIFICATIONS

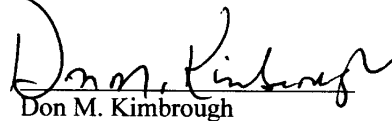
DON M. KIMBROUGH

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

In the Supplemental Evidence Submitted by Defendant Norfolk Southern Railway Company, I am sponsoring Sections III, III A, 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.

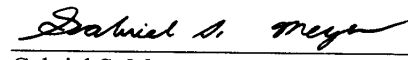
Executed on this 17th day of November, 2003.


Don M. Kimbrough

CERTIFICATE OF SERVICE

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

William L. Slover
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