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SURFACE TRANSPORTATION BOARD

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CAROLINA POWER & LIGHT
COMPANY,

Complainant,

v.

NORFOLK SOUTHERN RAILWAY
COMPANY,

Defendant.

Docket No. 42072

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SUPPLEMENTAL EVIDENCE ON REROUTED TRAFFIC OF
COMPLAINANT CAROLINA POWER & LIGHT COMPANY

PUBLIC VERSION

CAROLINA POWER & LIGHT
COMPANY

By: David T. Conley
Carolina Power & Light Company
410 South Wilmington Street
Raleigh, North Carolina 27601

OF COUNSEL:

Slover & Loftus
1224 Seventeenth Street, N.W.
Washington, D.C. 20036

Dated: November 24, 2003

Filing Contains Color Images

C. Michael Loftus
Christopher A. Mills
Frank J. Pergolizzi
Peter A. Pfohl
Daniel M. Jaffe
1224 Seventeenth Street, N.W.
Washington, D.C. 20036
(202) 347-7170

Attorneys for Complainant

Docket No. 42072

**SUPPLEMENTAL EVIDENCE ON REROUTED TRAFFIC OF
COMPLAINANT CAROLINA POWER & LIGHT COMPANY**

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Docket No. 42072

CP&L identified the rerouted traffic for the P&SH in its Opening Evidence. See Narrative at III-A-6 to 8 and Exhibit III-A-4. For purposes of this supplemental

filing, CP&L has updated and revised the information contained in Opening Exhibit III-A-4. The updated information is contained in Exhibit III-A-4 (Revised) submitted herewith. A map that depicts the crossover traffic reroutes is included herewith as Exhibit S-1. A summary of the reroutes by category is provided in Exhibit S-2. Details concerning mileages and revenues for each of the movements shown in Exhibit III-A-4 (Revised) are provided in supplemental e-Workpaper "Exhibit III-A-4 revised.xls."

The information on the rerouted traffic contained in the supplemental exhibits and workpapers submitted herewith differs from the information in CP&L's Opening exhibits and workpapers in the following respects.

- (1) The peak-year tons are shown for each movement based on CP&L's revised (2003) peak year traffic for the P&SH, as presented on Rebuttal.
- (2) Ten additional rerouted crossover movements that were inadvertently omitted from the original version of Exhibit III-A-4, totaling 0.90 million tons in the 2003 peak year, are included.
- (3) The P&SH's revenues have been calculated using the new "MSP" method for determining revenue divisions for crossover traffic adopted by the Board in Docket No. 42069, *Duke Energy Corporation v. Norfolk Southern Railway Company*, Decision served November 6, 2003 ("*Duke/NS*") at 24. CP&L assumes the Board will apply the MSP methodology in this case, which involves a SARR traffic group similar to the one involved in *Duke/NS*.

According to the October 14 Decision, the rerouted traffic the Board is concerned about is "externally" rerouted traffic, that is, crossover traffic where the overall route and the interchange point between the P&SH and the residual NS are different than they would be if the original (*i.e.*, actual 2001 NS) routing for the traffic were used. The P&SH's design also involved "internal" reroutes, caused by the fact that the P&SH does

not replicate all NS line segments used to carry the traffic. CP&L understands that such internal reroutes are not implicated by the October 14 Decision.

CP&L has divided the rerouted traffic in issue into four categories, which are described below.

Category A includes crossover coal traffic that NS originated on its lines north and west of Iaeger, WV and in 2001 routed east to Iaeger (located on the NS/P&SH main line 15.8 miles east of Wharncliffe, WV), and then south to Cedar Bluff, VA and then west and south via NS's Clinch Valley District¹ to various destinations {
}. As shown in Exhibit S-1, the P&SH also originates this traffic but routes it east from Iaeger to Altavista, VA via Bluefield and West Roanoke, VA, and interchanges it with the residual NS at Altavista rather than Iaeger for movement to the same destinations. As shown in Exhibits III-A-4 (Revised) and S-2, the Category A traffic represents a total of 2.32 million tons in the peak year and the additional P&SH revenue attributable to these reroutes is \$7.74 million.

Category B includes crossover coal traffic that NS originated on the P&SH's Elmore Branches and in 2001 routed west from Morri Branch Jct. to Wharncliffe, thence east to Iaeger, and thence south via Cedar Bluff and St. Paul, VA to five destinations. As shown in Exhibit S-1, the P&SH routes this traffic east and south from Morri Branch Jct. to Bluefield via Elmore and Bluestone, WV, and interchanges it

¹ The Clinch Valley District extends from Bluefield west to and beyond St. Paul, VA, and is the same line referred to as the "Wentz line" in the *Duke/NS* decision at 26. Unlike the SARR involved in the *Duke/NS* case, the P&SH does not include any part of the Wentz line.

with the residual NS at Bluefield rather than Morri Branch Jct. (The P&SH could interchange this traffic with NS at Iaeger rather than Morri Branch Jct., but the result would be an increase both in P&SH miles and in the total miles for the Category B traffic.) As shown in Exhibits III-A-4 (Revised) and S-2, the Category B traffic represents 718,000 tons in the peak year and the additional P&SH revenue attributable to these reroutes is \$0.82 million.

Category C includes crossover coal traffic that NS originated (and the P&SH originates) north and west of Iaeger and that NS routed in a manner similar to that described above for Category A traffic. The P&SH interchanges this traffic to the residual NS at Bluefield rather than Iaeger. This traffic totals 9.67 million tons in the peak year and the additional P&SH revenue attributable to these reroutes is \$4.6 million.

CP&L notes that the P&SH revenue for one of the Category C movements (Movement #36 from Martiki, WV to Richburg, MS) included on Opening was overstated by an amount that, until today, could not be determined from the record in this proceeding. NS referred to an overstatement of the revenue for this movement in a footnote on page 18 of its brief in this proceeding which was reproduced as slide #3 of NS's handouts at the November 19 oral argument. In this regard, NS filed a letter with the Board dated October 31, 2003 in the *Duke/NS* proceeding (Docket No. 42069) in which it advised of a "data anomaly" in the traffic tape data for this movement and submitted revised traffic and revenue files to eliminate the anomaly. However, the CDs containing the revised traffic and revenue files were designated "highly confidential" under the protective order in Docket No. 42069. Contrary to NS's representations in the

footnote on page 18 of its brief, revised traffic and revenue files correcting this problem were neither provided to CP&L for use in this proceeding nor filed with the Board in this proceeding. After the oral argument, CP&L counsel inquired of NS counsel to confirm that the corrected revenue data for the Martiki-Richburg movement was not made available for use in this proceeding. By letter dated today (November 24, 2003), NS submitted a corrected rate per ton for this movement for use in this proceeding. The corrected revenue has been incorporated in the supplemental exhibits and workpapers submitted herewith.

Category D includes crossover coal traffic that moves in the reverse direction compared with the Category C traffic – that is, it originates on the residual NS west and south of St. Paul, VA, and moves north and west via Cedar Bluff and Iaeger to Kenova, WV and points north. The P&SH receives this traffic in interchange from NS at Bluefield rather than Iaeger. The Category D traffic represents 625,000 tons in the peak year and the additional P&SH revenue attributable to these reroutes is \$0.50 million.

As shown in Exhibit S-2, all of the rerouted crossover traffic summarized above totals 13.34 million tons in the peak year (or 16.6% of the P&SH's total peak-year traffic of 80.3 million tons). The additional P&SH revenue attributable to all of this rerouted traffic is \$13.63 million.

Exhibit S-2 also shows an estimate of the difference in P&SH peak-year operating expenses of approximately \$4.90 million attributable to handling all of the rerouted crossover traffic via the routes posited by CP&L in its Opening and Rebuttal evidence versus handling the traffic via the original NS routes and interchange points

described above. The reduction in annual operating costs was estimated by taking the total operating expenses calculated in CP&L's Rebuttal DCF model (except for operating managers, general and administrative costs, and ad valorem taxes, which were considered fixed for this purpose), and adjusting them on the basis of total ton-miles. Deducting the reduction in operating expenses from the reduction in annual revenues that would result from restoring the original routing for all of the rerouted crossover traffic, the net loss in contribution (excluding changes in capital costs, which are addressed in Part V below) is \$8.73 million in the peak year.

II. CP&L's POSITION WITH RESPECT TO RETENTION OF THE REROUTES

In the *Duke/NS* decision, the Board held that if a complainant wishes to reroute traffic in its SAC presentation without having the SARR operate over all of the residual portion of the movements,

it must ensure that the combined operations of the SARR and the residual carrier would be at least as efficient as the existing operations [and] must fully account for all of the ramifications of requiring the residual carrier to alter its handling of the traffic and any changes in the level of the service received by the shippers.

Id. at 26. The Board also held that if a rerouting shortens the overall distance for a movement, the Board will presume it is acceptable ("a logical presumption is that longer routes are generally less efficient than shorter ones") unless the defendant railroad demonstrates otherwise. *Id.* Accordingly, the Board accepted the reroutes involved in the *Duke/NS* case where the result was to shorten the total distance of the movement.

In this case, most of the crossover traffic reroutes lengthen the total distance, but the total distance is shortened for some movements. As shown in Exhibit S-2, the movements where the reroutes shortened the total distance comprise 1.53 million tons in the peak year, and the additional P&SH revenue attributable to the rerouting of these movements is \$1.24 million. Details on a movement-specific basis are provided in Exhibit S-3 submitted herewith. In every instance, the rerouting also shortened the residual NS portion of the movement (in some cases by a distance of more than 200 miles). Under the *Duke/NS* decision, the additional revenue attributable to these routes should be included for purposes of calculating SAC. NS has not demonstrated that these shorter routes are less efficient than the present, longer NS routes.

CP&L submits that there are several other groups of rerouted movements where a similar conclusion is warranted. The largest group is the Category A movements from various P&SH-served origins north/west of Iaeger to {

} . As shown on pages 1 and 2 of Exhibit S-3, these movements total 1.79 million tons in the peak year, and the additional P&SH revenue attributable to the rerouting is \$6.13 million. The rerouting of these movements increases the total distance by 6.9 miles, but shortens the residual NS portion of the movements by 191.5 miles. The following additional rerouted movements also involve an increase in total distance of less than 10 miles, and a decrease in the distance on the residual NS:

- (1) Category B Movement #5 from {
} tons, increase in total distance of 0.4 miles);
- (2) Category C Movement #21 from {
} tons, increase in total distance of 3.0 miles);

- (3) Category C Movement #22 from {
} tons, increase in total distance of 4.6 miles);
- (4) Category C Movement #37 from {
} tons, increase in total distance of 4.6 miles); and
- (5) Category D Movement #2 from {
} tons, increase in total distance of 0.6 miles).

The total peak-year volume for these five reroutes is 0.43 million tons. Details with respect to tonnages, changes in mileage, revenues, and operating costs for each of these movements are provided in Exhibit S-3 and in Supplemental e-Workpaper "Exhibit S-3SM.xls."

There are sound reasons for continuing to include the reroutes (and the resulting P&SH revenues) for all of these movements. With respect to the Category A {
} reroutes, the increase in the total distance for these movements is only 6.9 miles out of a total distance (via the original NS routing) ranging from 390 to 525 miles, depending on the particular origin involved. This very modest increase in total distance would not materially affect the level of service provided to the shipper, {
}. Indeed, NS itself concedes that the average speeds for P&SH coal trains (including the {
}) on the Devon-Bluefield and Bluefield-Roanoke mainline segments are faster than for real-world NS trains. See page 46 of NS's handouts at the November 19, 2003 oral argument in this proceeding. Nor does this reroute increase any identifiable costs for {
} because the cars for this movement are supplied by the railroad, not the shipper.

The rerouting of the Category A {
} movements increases the distance traveled on the P&SH by 198.4 miles, and shortens the distance traveled on the

residual NS by 191.5 miles. The origin carrier (here the P&SH) normally has the right to the longest haul that is reasonable. In any event, the shortened haul on the residual NS should reduce its operating costs for handling this traffic. The residual NS lines involved include NS's high-density, high-capacity main line between Lynchburg, VA and Charlotte, NC via Altavista, VA. Most of this line {

}. The substantially shorter residual-NS distance involving a high-capacity line makes it highly unlikely that NS would incur any increase in operating costs as a result of this reroute. Moreover, the reroutes would lessen congestion on NS's 45-mile Iaeger to Cedar Bluff line which has { } passing sidings that can accommodate a coal train. On the other hand, the costs resulting from the 198.4-mile increase on the P&SH (compared with using the original routing via Iaeger) have been included in CP&L's (and NS's) calculations of the P&SH's annual operating expenses.

Finally, NS has not alleged that any facility or other capacity enhancements would be needed on its residual system as a result of the Category A reroutes. NS's Reply Evidence addressed only needed capacity enhancements on its Clinch Valley District (the Wentz line) as a result of changing the interchange for some crossover traffic from Iaeger to Bluefield (a subject addressed further below). However, NS presented no evidence that any additional facilities or capacity enhancements were needed due to the rerouting of the Category A traffic and the change in the interchange point from Iaeger to Altavista. NS's silence on this issue warrants a Board finding that retaining the reroute for the { } traffic (which represents { } of the Category A traffic) does not require any capital improvements on the residual NS beyond Altavista.

The other five movements where the reroutes lengthen the total haul by 0.4 to 4.6 miles should also be retained. In each case, the residual NS distance is shortened as a result of the reroute by the following amounts:

Category B Movement #5 { } : 34.4 miles

Category C Movement #21 { } : 108.2miles

Category C Movement #22 { } : 106.6 miles

Category C Movement #37 { } : 44.1 miles

Category D Movement #2 { } : 48.1 miles

{ } of these movements { }
use railroad-provided cars; { } use shipper-provided cars.

In 2001 NS routed all five of these movements via its line between Iaeger and Cedar Bluff. The P&SH routes these movements via Bluefield, and the interchange point has been changed from Morri Branch Jct. to Bluefield (in the case of Category B Movement #5) or from Iaeger to Bluefield (in the case of the other four movements). The peak-year traffic for these five movements totals 0.43 million tons, or an average of only 0.12 loaded trains per day (0.24 total trains in both directions). Instead of using the Dry Creek Branch between Iaeger and Cedar Bluff to transport this traffic beyond the interchange point, the residual NS would use the portion of the Clinch Valley District between Bluefield and Cedar Bluff. As shown in Part V below, this portion of the Clinch Valley District has ample capacity to accommodate this traffic.

CP&L notes that there are other rerouted movements (shown in Supplemental e-Workpaper "Exhibit S-3SM.xls" where the total distance increases by

relatively small amounts (less than 40 miles) and the residual NS distance decreases.

However, to be conservative, CP&L has retained only the reroutes where the total distance is increased by less than 10 miles (or shortened) for purposes of the revenue/cost calculations presented herein.

The rerouted crossover traffic for which CP&L believes the record supports retention of the rerouting is summarized in Table S-1 below. The table also lists the other rerouted traffic where restoration of the original routing may be appropriate under the standards enunciated in the *Duke/NS* decision. The figures are for 2003, which is the P&SH's peak traffic year.

Table S-1 P&SH Rerouted Crossover Traffic Where the Reroutes Should Be Retained		
Traffic Type	Tons (millions)	Additional P&SH Revenue (millions)
Movements where total distance is shortened	1.53	\$1.24
Movements where total distance increases by less than 10 miles	2.23	\$6.41
Subtotal	3.76	\$7.65
Other movements	9.58	\$5.98
Total	13.34	\$13.63

III. REVENUES AND COSTS ASSOCIATED WITH REROUTED CROSSOVER TRAFFIC

The Board's October 14 Decision instructs the parties to help it "determine the costs and revenues associated with rerouting" the crossover traffic. Quantifying the

effects of the rerouting necessarily entails comparing the costs and revenues that would result without the rerouting. However, as the Board recognized in *Duke/NS*, eliminating the rerouting either in whole or in part should not result in the removal of the rerouted traffic from the SARR altogether. Instead, elimination of reroutes, where appropriate, should result in restoring the original routing, that is, the SARR returns the rerouted traffic to the residual incumbent at a point along the original route of movement. *See also* Docket No. 42056, *Texas Municipal Power Agency v. Burlington Northern. and S. F. Ry. Co.* (STB served March 24, 2003) at 21-22.

For example, under the original routing, the P&SH would still transport Category B coal traffic between origin mines on the Elmore Branches to Morri Branch Jct., a point along NS's 2001 route of movement for that traffic. The P&SH would interchange the traffic at Morri Branch Jct. and forego the movement from Morri Branch Jct. to Bluefield. Similarly, the P&SH would still accommodate the transportation of Category C coal traffic (other than the movements for which the total mileage is reduced, for which the rerouting should be retained under the principles enunciated in *Duke/NS*) from points north and west of Iaeger to an interchange with NS at Iaeger, thus returning the traffic to the residual NS at a point along NS's actual 2001 route of movement and foregoing the movement from Iaeger to Bluefield. The same holds true, in reverse, with respect to the Category D coal traffic.

Restoring the original routing for some of the rerouted crossover traffic (the movements where the increase in total distance is greater than 10 miles, *i.e.*, the "other movements" described in Table S-1 above) would reduce the P&SH's ton-miles and

associated revenues, but it would also logically reduce the P&SH's operating and capital costs associated with handling the reduced ton-miles. As indicated earlier, Duke has estimated the reduction in operating costs attributable to restoring the original routing on the basis of cost per ton-mile. The resulting peak-year calculation for the "other movements" for which the original routing arguably should be restored (*i.e.*, rerouted traffic where the total distance is increased by greater than 10 miles) is shown in Table S-2 below.

Table S-2 Revenues and Operating Costs Associated with Crossover Traffic Where Increase in Total Distance is At Least 10 Miles (Millions)			
Tons	Revenue	Operating Costs	Ton-miles
9.58	\$5.98	\$2.63	538.8

Thus, the estimated reduction in contribution for this traffic that would result from restoring the original routing is approximately \$3.35 million.

IV. CAPACITY AND OPERATIONAL CONSIDERATIONS **RELATED TO THE REROUTED CROSSOVER TRAFFIC**

Restoring the original routing for the rerouted traffic described above would reduce the P&SH's traffic volume by 9.58 million tons in the peak year. Of this, 9.14 million tons represents Category A, C and D coal traffic that would be interchanged to the residual NS at Iaeger rather than Bluefield, and thus would no longer move over the P&SH between Iaeger and Bluefield which is the busiest segment of the P&SH's main

lines.² An additional 441,000 tons of Category B traffic, which would be interchanged at Morri Branch Jct. rather than Bluefield, would be removed from the portion of the Iaeger-Bluefield line between Bluestone and Bluefield.

The substantial P&SH traffic reductions between Iaeger and Bluefield would enable the P&SH to achieve savings in the capital and operating costs for handling the remaining traffic. However, CP&L is not proposing to reduce any of the P&SH's facilities between Iaeger and Bluefield (or between Bluefield and Altavista) as a result of restoration of the original routing for this traffic. As CP&L shows below, the retention of all of those facilities together with the elimination of 9.14 million tons of peak-year coal traffic results in substantial additional capacity on the busiest P&SH line segment. This – combined with the fact that the total P&SH peak-year traffic was reduced by 3.1 million tons from Opening to Rebuttal – should alleviate any doubts the Board may have as to the ability of the P&SH system configuration to accommodate its peak-period traffic.

There would also be a modest reduction in the peak-year tons moving over the P&SH main line between Bluefield and Altavista. The reduction is attributable to two Category A movements (other than the Catawba movements) for which the rerouting results in an increase in total miles. These two movements (Movements 15 and 16 shown on page 2 of Exhibit III-A-4 (Revised)) total 415,000 tons. This equates to an average of 0.11 loaded trains per day or a reduction of 0.22 total trains in both directions.

² The Iaeger-Bluefield mainline segment is also the segment where most of NS's proposed P&SH capacity additions would be located. See NS Reply Narrative at page III-B-41.

Restoring the additional routing for traffic where the total mileage increased by 10 miles or more changes the traffic densities over several P&SH lines: the main line between Iaeger and Bluefield, the portion of the Elmore District and Elmore Branches between Morri Branch Jct. and Bluestone, and the main line between Bluefield and Altavista via West Roanoke. The change in traffic received and forwarded at P&SH interchange points and other locations is shown in Exhibit S-4 submitted herewith. The traffic density changes for affected line segments (expressed in both tons and average loaded trains per day) are shown in Exhibit S-5 and in Supplemental e-Workpaper "P&SH Rebuttal and Revised Density With Train Counts.xls." The information is summarized in Table S-3 on the next page and is presented in terms of tons and loaded trains per day.

CP&L converted the peak-year tonnage moving over various P&SH line segments into average trains per day using the following procedure. CP&L Rebuttal electronic workpaper file "Piedmont RR String Trains With Growth Factors V2.0.xls," sheet "trains2weeks" shows a total of { } tons and { } trains (exclusive of grain movements) for the two-week peak study period used in the string diagram analysis, resulting in an average of { } tons per coal train. CP&L further assumed { } operating days per year to account for {

} . Thus, one loaded coal train per day is equivalent to { } million tons per year, and a million tons of coal per year is equivalent to an average of { } loaded trains per day. Stated differently, { } million tons of coal per year equates to { }

tons/train ÷ { } operating days/year = one loaded train per day. The number of loaded trains per day moving over a line segment must be doubled to determine the total trains moving over the segment because each loaded train has a corresponding empty train moving in the opposite direction.

Table S-3 Analysis of P&SH Traffic Flows with Original Routing and Reroutes - 2003							
Loaded Segment		With All Reroutes		Original Routing for Moves Where Total Distance Increased By 10+ Miles		Difference (With All Reroutes Minus Orig. Routing)	
Start ^{1/}	End ^{1/}	MM Tons (Year)	Average Trains (Day) Loaded	MM Tons (Year)	Average Trains (Day) Loaded	MM Tons (Year)	Average Trains (Day) Loaded
Iaeger	Bluestone	47.29	13.0	38.15	10.5	(9.14)	(2.5)
Bluestone	Bluefield	54.14	14.9	44.69	12.3	(9.45)	(2.6)
Morri Br. Jct.	Bluestone	16.23	4.5	15.79	4.3	(0.44)	(0.2)
Bluefield	W. Roanoke	49.55	13.6	49.13	13.5	(0.42)	(0.1)
W. Roanoke	Altavista	33.77	9.3	33.35	9.2	(0.42)	(0.1)
^{1/} Loaded trains move in both directions between Iaeger and Bluefield. The tonnages and daily train figures shown are the maximum for any portion of the segment.							

The reduced traffic moving over the Iaeger to Bluestone and Bluestone to Bluefield line segments, in particular, means fewer trains and thus fewer train meets. The average daily peak-year trains moving over these segments are reduced by a total of up to 5.2 (2.6 loaded and 2.6 empty trains). This represents a 17% reduction from the total average peak-year traffic moving over this segment shown on Opening (55.66 million

tons, or 30.6 trains per day). The reduction is even greater if the reduction in peak-year traffic volume from Opening to Rebuttal for the Iaeger to Bluefield segment (1.5 million tons, or 0.8 trains per day) is considered. This is because CP&L's string diagram analysis, as revised on Rebuttal, was based on the Opening peak-period tonnages and train counts.

According to NS's Reply Evidence, the most problematic P&SH line segment from a capacity standpoint is the 49-mile mainline segment between Iaeger and Bluefield. In its Reply Evidence NS proposed to add a total of 22.5 miles of additional main tracks and passing sidings to those proposed by CP&L on Opening, of which 17 miles were proposed for the Iaeger-Bluefield line segment and 5.5 miles were proposed for the Bluefield-West Roanoke line segment.³ Thus 75% of NS's proposed main track/passing siding capacity additions are located on the 49-mile segment between Iaeger and Bluefield. This is the segment where the daily trains will be reduced the most (by a peak-year average of five trains per day) if the original routing is restored for the 9.58 million tons of rerouted crossover traffic described above. The reduction in daily train traffic moving between Iaeger and Bluefield adds 17% more capacity to this line segment, thus providing a large margin for error in evaluating the results of CP&L's string diagram analysis. In addition, the daily train traffic moving between Bluefield and West Roanoke would be reduced by an average of 0.22 trains per day.

³ See Table III-B-4 on page III-B-41 of NS's reply Narrative and the track diagrams in NS Reply Exhibit III-B-1, pages 10 (three sheets) and 26-28. Table III-B-4 in the Reply Narrative shows track additions for Devon-Bluefield, but all of the additions are actually located east of Iaeger which is located at Milepost 422.4 (15.8 miles east of Wharncliffe and 2.3 miles east of Hull).

Restoring the original routing for 9.58 million tons of crossover traffic requires a few changes in the P&SH's facilities and operating plan. In particular, new interchanges with NS would be established at Morri Branch Jct. and Iaeger, and the Bluefield yard would be moved to Iaeger. CP&L's rail operations, expert, Mr. William Lyman, has concluded that the new interchanges can be accomplished with only a few minor alterations to the P&SH's operating plan.

There would be some changes in the P&SH's crew districts, but these changes would reduce the P&SH's costs for T&E crews. Instead of operating turn crews from Devon to Bluefield, as shown for crew assignment 6 on page III-D-15 of CP&L's Opening Narrative, most of the crews would turn at Iaeger. This would reduce by 98 miles (49 x 2) the total miles operated by this assignment. There would also be a change in crew assignment 7 because restoring the original route for the Category B traffic means this traffic would no longer move via Elmore but rather would be interchanged to NS at Morri Branch Jct. Elmore-based crews would be taxied to and from Morri Branch Jct. for a turn movement to the mine origin.

Under the rerouting scenario proposed by CP&L herein, some traffic would continue to be interline forwarded to NS at Bluefield (traffic where the total mileage is reduced as a result of the reroutes, amounting to 1.8 million tons in the peak year, or an average of one train per day including both loads and empties). Accordingly, an interchange connection would continue to be needed at Bluefield but a volume of only one train per day does not warrant having a yard there. The helper set-out track formerly located at the Bluefield yard would be relocated to the main line at the same location.

As noted in CP&L's Rebuttal Narrative at III-B-25 to 27, the P&SH performs some 1,000-mile car inspections at Bluefield on coal trains originating at P&SH-served mines that do not operate through West Roanoke or Kenova. To the extent that such trains would be interchanged at Iaeger rather than Bluefield, 1,000-mile inspections would be performed at Iaeger rather than Bluefield. Fewer trains would require inspection because all of the Category B trains originating at mines on the Elmore Branches would leave the P&SH system at Morri Branch Jct. rather than Bluefield. The Category B trains do not require an inspection while on the P&SH because the maximum P&SH distance between any of the mine origins involved and Morri Branch Jct. is less than 25 miles.

V. CHANGES IN FACILITIES AND CAPITAL COSTS ASSOCIATED WITH RESTORING THE ORIGINAL ROUTING FOR SOME REROUTED CROSSOVER TRAFFIC

A. P&SH Facilities

If the Board concludes that the original routing should be restored for rerouted crossover traffic where the increase in total distance is 10 miles or more, a few changes would be required in the P&SH's facilities. The principal change would involve moving the Bluefield Yard to Iaeger, which would replace Bluefield as the interchange point for this traffic. A new interchange connection (turnout) would also have to be installed at Morri Branch Jct., and the interchange connection (turnout) at Bluefield would have to be retained as some traffic (one train per day including both loads and empties) would continue to be interchanged between the P&SH and NS at Bluefield. The helper setout track presently located at Bluefield Yard (*see* CP&L Rebuttal Exhibit III-B-

3, page 27) would be retained but simply relocated so that it connects with the main line rather than with one of the yard tracks. There would be no change in the interchange facilities at Altavista (shown in CP&L Rebuttal Exhibit III-B-3, page 33) since the volume of interchange traffic being removed from Altavista is small – only 0.11 loaded trains per day or one loaded or empty train every 4.5 days.

Because most of the traffic presently interline forwarded to the residual NS at Bluefield (10.39 million tons in the peak year for all of the reroutes) would be interchanged at Iaeger, the P&SH would need a yard at Iaeger to accommodate the interchange and 1,000-mile car inspections. Although the volume of traffic to be interchanged at Iaeger (8.53 million tons) is smaller by 1.86 million tons than the volume interchanged at Bluefield under the full-rerouting scenario, CP&L's experts have concluded that the four-track P&SH yard at Bluefield, shown on page 27 of CP&L Rebuttal Exhibit III-B-3, should be replicated at Iaeger (excluding the main tracks which are not needed at Iaeger). This means the cost of constructing the yard itself would be the same for either location.

CP&L's engineering witness, Harvey Stone, has reviewed aerial photographs and topographical maps of the Iaeger area and has concluded that there is insufficient room to place the Iaeger yard adjacent to the P&SH main line (which runs along the north bank of the Tug Fork River) without substantial grading. NS's Iaeger yard is located on the south side of the river, on NS's Dry Creek Branch which extends from Iaeger to Cedar Bluff. In order to construct the yard at this location, the P&SH must construct a new turnout from the main line, a 286.5-foot bridge over the Tug Fork River,

and one-tenth of a mile of additional track (including the track on the bridge) to reach the beginning of the yard. Constructing the P&SH Iaeger yard at the same location as NS's existing yard at Iaeger preserves the one-foot fill assumption used for yard earthwork in CP&L's Opening and Rebuttal evidence. *See Duke/NS* at 91.

A schematic of the P&SH Iaeger yard showing its physical location in relation to the P&SH main line and the bridge over the Tug Fork River is included herewith as Exhibit S-6. The total net additional road property investment costs for the new turnout, bridge and additional track at Iaeger, and for the new turnout at Morri Branch Jct., are \$0.96 million. The development of these costs is shown in Exhibit S-7.

B. Residual NS Facilities

In response to CP&L's Opening Evidence detailing the crossover traffic it proposed to reroute via different lines than those actually used by NS for this traffic in 2001, NS submitted Reply Evidence asserting that the rerouting of crossover traffic from the NS route via Iaeger and Cedar Bluff to a different route via Bluefield would increase the traffic volume on the portion of the residual NS's Clinch Valley District between Bluefield and Richlands, VA (near Cedar Bluff) to the extent that additional capacity would have to be added to that line segment. NS Reply Narrative at III-B-73 to 74. NS did not contend that additional capacity was needed on any other residual NS line segment (i.e., south of Altavista) as a result of the reroutes.

The capacity enhancements proposed by NS for the Clinch Valley District were minor. They included extending one 1.5-mile siding by half a mile, and doubling the length of another siding from one to two miles. Thus, NS's proposed capacity

enhancements consist, in their entirety, of the addition of 1.5 miles of passing siding between Bluefield and Cedar Bluff. CP&L submitted evidence on Rebuttal demonstrating that these capacity enhancements are unnecessary, even assuming that all of the Iaeger-to-Bluefield rerouted crossover traffic were retained. *See* CP&L Rebuttal Narrative at III-C-71 to 72.

Given the Board's request in the October 14 Decision for additional evidence quantifying SARR "investment costs" attributable to the rerouted crossover traffic, and the changes in this traffic since Opening Evidence was filed as described herein, CP&L submits the following supplemental evidence with respect to the alleged need for residual NS capacity enhancements on the Clinch Valley District.

The only NS line segment implicated by the rerouting of crossover traffic from an interchange at Iaeger to an interchange at Bluefield is the 35.0-mile portion of NS's Clinch Valley District between Bluefield and Cedar Bluff, VA. (The original 2001 routing for this traffic used NS's line between Iaeger and Cedar Bluff, where the trains entered the Clinch Valley District.) NS's track charts for the portion of the Clinch Valley District between Bluefield, Cedar Bluff and Richlands are reproduced in CP&L's Opening Workpapers Vol. 1, pp. CPL 00080-00087.

NS stated at page III-B-74 of its Reply Narrative that this portion of the Clinch Valley District presently carries an annual volume of { } gross tons, and that the rerouting would increase this to { } gross tons. NS did not provide details as to how this would translate into daily trains; nor did NS indicate whether the traffic moving over this line is all coal, or includes other commodities. On Rebuttal,

CP&L Witness Lyman estimated that a total of { } million gross tons annually translated to an average of { } trains per day, assuming that all of the trains using this line are coal trains. *See* CP&L Rebuttal Narrative at III-C-71.

In his Rebuttal testimony Mr. Lyman indicated that the line between Bluefield and Richlands (actually, between Bluefield and Cedar Bluff) { }. Mr.

Lyman indicated that a line with this configuration and traffic control system can easily accommodate 30 trains per day – or more than double the number of trains that would result from the rerouting of all traffic presently moving via Iaeger to a route via Bluefield. *Id.* at III-C-71.

A further review of the NS track charts for the Bluefield-Cedar Bluff line segment (CP&L Opening Workpapers Vol. 1, pp. CPL 00080-00087) indicates that it has a total of {

}. However, if trains carrying non-coal traffic also use this line, these sidings could be used for such trains. The longest distance between the { } sidings that can accommodate a coal train is 10 miles. Assuming the average speed of a loaded coal train operating over this 10-mile segment of single track is only 20 miles per hour, it will take the train 30 minutes to traverse the longest distance between sidings. Even if one conservatively assumes the line is out of service for four hours a day in the peak period for maintenance, the remaining 20 hours could accommodate 40 trains. If one adjusts the theoretical capacity downward by 25% to reflect practical capacity, the result is that the line can accommodate 30 trains per day.

This is a very conservative estimate for a line with CTC and power switches, and certainly consistent with Mr. Lyman's experience in line and senior staff operating positions at railroads such as the former ATSF and KCS.

Retaining the reroutes for the movements where the increase in total distance is less than 10 miles results in the addition of only 1.8 million tons, or an average of one train per day counting both loads and empties, to the Bluefield-Cedar Bluff segment of NS's Clinch Valley District. Based on the analysis set forth above, there is no question that NS's Bluefield-Cedar Bluff line segment has plenty of capacity to accommodate this small traffic increase.

VI. CONCLUSION

CP&L submits that the evidence supports full retention of the rerouted crossover traffic and associated P&SH revenues where there is a net reduction in total distance or a net increase in distance of less than 10 miles. Restoration of the original routing for the remaining crossover traffic results in a net reduction in P&SH revenues of \$5.98 million and an approximate net reduction in contribution (revenues less operating expenses) of \$3.34 million. As suggested by NS counsel at the November 19 oral argument, eliminating these crossover traffic reroutes and restoring the original routing has a *de minimus* impact on the SAC results. However, it provides additional capacity on

one of the busiest segments of the P&SH and thus alleviates concerns as to the ability of the P&SH system configuration to accommodate its peak-period traffic.

Respectfully submitted,

CAROLINA POWER & LIGHT
COMPANY

By: David T. Conley
Carolina Power & Light Company
410 South Wilmington Street
Raleigh, North Carolina 27601

OF COUNSEL:

Slover & Loftus
1224 Seventeenth Street, N.W.
Washington, D.C. 20036

Dated: November 24, 2003

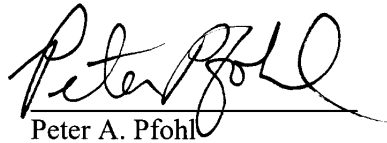
C. Michael Loftus
Christopher A. Mills
Frank J. Pergolizzi
Peter A. Pfohl
Daniel M. Jaffe
1224 Seventeenth Street, N.W.
Washington, D.C. 20036
(202) 347-7170



CERTIFICATE OF SERVICE

I hereby certify that on November 24, 2003, I caused five copies of the foregoing Supplemental Evidence on Rerouted Traffic of Complainant Carolina Power & Light Company (together with associated exhibits and workpapers) to be served by hand upon the following counsel for Defendant Norfolk Southern Railway Company:

G. Paul Moates, Esq.
Paul A. Hemmersbaugh, Esq.
Sidley Austin Brown & Wood
1501 K Street, N.W.
Washington, D.C. 20005



Peter A. Pfohl

VERIFICATION

I, William C. Lyman, verify under penalty of perjury that I am the same William C. Lyman whose Statement of Qualifications appears in Part IV of the Narrative portion of Carolina Power & Light Company's ("CP&L") Opening Evidence in this proceeding; that I am responsible for the portions of the foregoing Supplemental Evidence of CP&L related to the changes in the stand-alone railroad's facilities (jointly with CP&L Witness Harvey H. Stone) and operating plan that would result from restoring the original route for certain crossover coal traffic that CP&L rerouted for purposes of its earlier evidentiary submissions in this case; that I know the contents thereof, and that the same are true and correct. Further, I certify that I am qualified and authorized to file this statement.

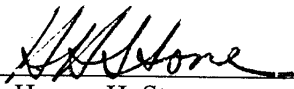


William C. Lyman

Executed on: November 21, 2003

VERIFICATION

I, Harvey H. Stone, verify under penalty of perjury that I am the same Harvey H. Stone whose Statement of Qualifications appears in Part IV of the Narrative portion of Carolina Power & Light Company's ("CP&L") Opening Evidence in this proceeding; that I am responsible for the portions of the foregoing Supplemental Evidence of CP&L related to the changes in the stand-alone railroad's facilities (jointly with CP&L Witness William C. Lyman) and the costs associated therewith that would result from restoring the original route for certain crossover coal traffic that CP&L rerouted for purposes of its earlier evidentiary submissions in this case; that I know the contents thereof, and that the same are true and correct. Further, I certify that I am qualified and authorized to file this statement.



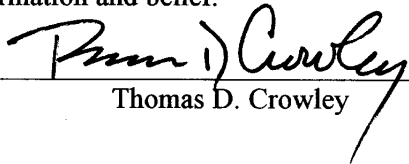
Harvey H. Stone

Executed on: November 21, 2003

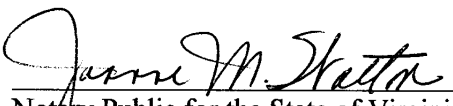
VERIFICATION

STATE OF VIRGINIA)
)
CITY OF ALEXANDRIA)

Thomas D. Crowley, being duly sworn, deposes and says that he is the same Thomas D. Crowley whose Statement of Qualifications appears in Part IV of the Narrative portion of Carolina Power & Light Company's ("CP&L") Opening Evidence in this proceeding; that he is responsible for the portions of the foregoing Supplemental Evidence of CP&L related to the changes in the stand-alone railroad's traffic flows, daily train counts, and revenues that would result from restoring the original route for certain crossover coal traffic that CP&L rerouted for purposes of its earlier evidentiary submissions in this case; and that he knows the contents thereof and that the same are true as stated to the best of his knowledge, information and belief.


Thomas D. Crowley

Sworn to and subscribed before me
this 21 day of November, 2003


Notary Public for the State of Virginia

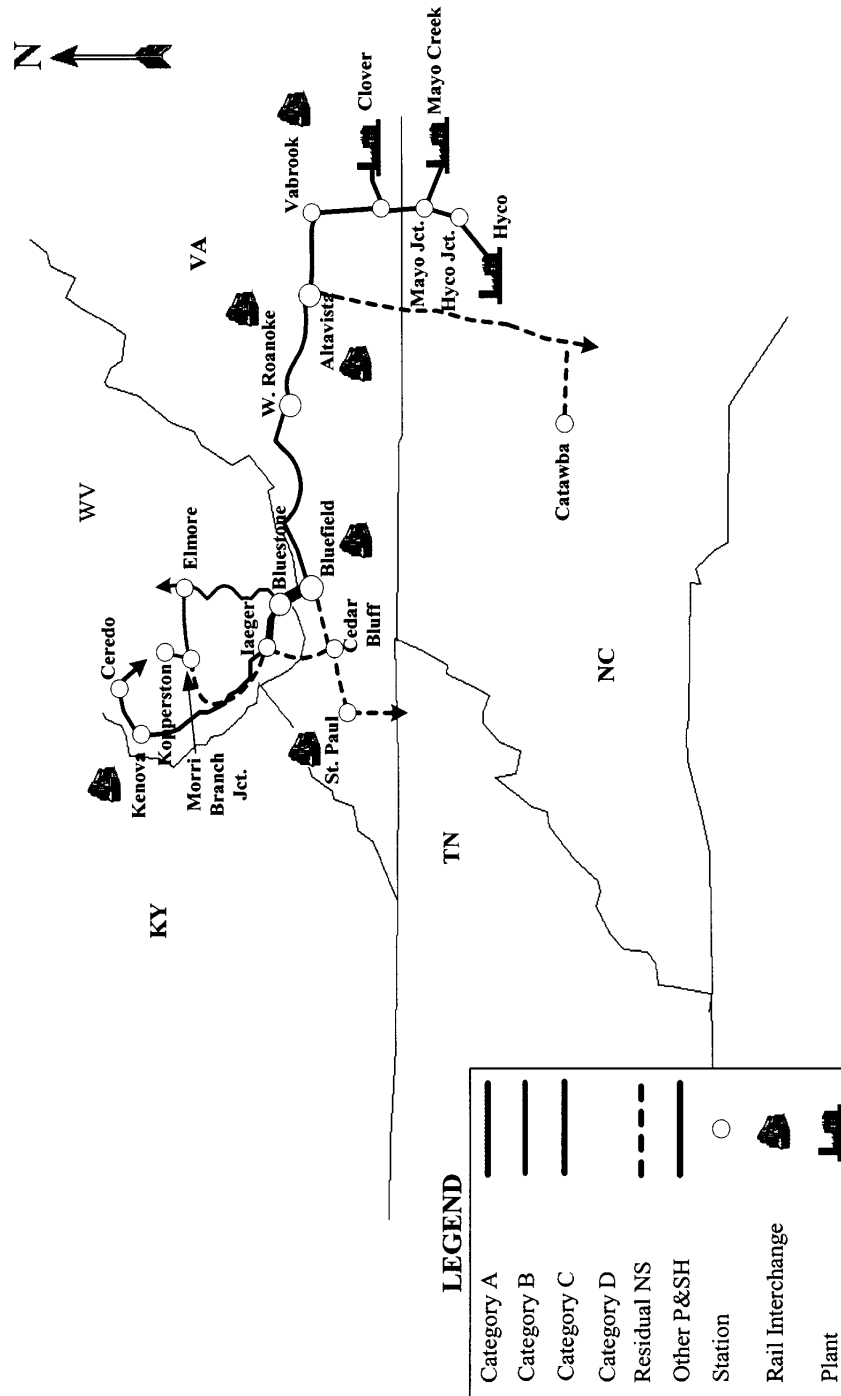
My Commission expires 12-31-2003

EXHIBIT III-A-4 (REVISED)

HAS BEEN REDACTED

Identification of Piedmont & Sand Hills Lines Associated with Re-Routed Traffic

Exhibit S-1
Page 1 of 1



IMPACT ON THE PIEDMONT & SAND HILL RAILROAD REVENUES, COSTS & TON-MILES RESULTING FROM TRAFFIC RE-ROUTING

Category Description (1)	Revenues			Costs			Ton-Miles	
	Tons (2)	With Reroutes (3)	Without Reroutes (4)	With Reroutes (5)	Without Reroutes (6)	With Reroutes (7)	With Reroutes (7)	Without Reroutes (8)
All Rerouted Movements								
A Change "Off" Junction from Iaeger, WV to Altavista, VA (Blue)	2,322,168	\$14,247,232	\$6,506,429	\$2,950,009	\$696,870	603,273,796	142,509,321	142,509,321
B Change "Off" Junction from Morri Branch Jct., WV to Bluefield, WV - Origins on Elmore Branches (Green)	718,424	2,600,519	1,778,424	279,615	81,176	57,180,959	16,800,452	16,800,452
C Change "Off" Junction From Iaeger, WV to Bluefield, WV - Origins not on Elmore Branch (Red)	9,672,086	29,951,673	22,381,989	5,131,922	2,829,529	1,049,472,900	578,635,754	578,635,754
D Change "On" Junction From Iaeger, WV to Bluefield, WV (Gray)	924,565	1,921,556	1,424,535	517,437	368,762	105,815,251	75,411,427	75,411,427
Total Reroutes	13,337,243	\$45,720,979	\$32,091,357	\$8,678,983	\$3,976,337	1,815,742,906	813,156,854	813,156,854
Difference	xxx	\$13,629,622	xxx	\$4,902,646	xxx	1,002,586,052	xxx	xxx
Movements Where Reroute Increased Total Miles (by more than 10 miles)								
A Change "Off" Junction from Iaeger, WV to Altavista, VA (Blue)	415,201	\$2,418,165	\$1,166,534	\$522,418	\$119,559	106,833,920	24,449,738	24,449,738
B Change "Off" Junction from Morri Branch Jct., WV to Bluefield, WV - Origins on Elmore Branches (Green)	441,309	1,653,342	1,045,404	197,328	42,383	40,353,295	8,667,309	8,667,309
C Change "Off" Junction From Iaeger, WV to Bluefield, WV - Origins not on Elmore Branch (Red)	8,118,651	23,262,585	19,627,415	4,328,897	2,396,291	885,255,046	490,039,115	490,039,115
D Change "On" Junction From Iaeger, WV to Bluefield, WV (Gray)	606,926	1,870,887	1,385,720	502,831	358,355	102,828,440	73,283,282	73,283,282
Total Reroutes	9,582,087	\$29,204,979	\$23,225,074	\$5,551,474	\$2,916,589	1,135,270,701	596,439,444	596,439,444
Difference	xxx	\$5,979,906	xxx	\$2,634,885	xxx	538,831,257	xxx	xxx
Movements Where Reroute Increased Total Miles (by less than 10 miles)								
A Change "Off" Junction from Iaeger, WV to Altavista, VA (Blue)	1,793,655	\$11,249,892	\$5,123,694	\$2,304,842	\$564,506	471,337,868	115,440,843	115,440,843
B Change "Off" Junction from Morri Branch Jct., WV to Bluefield, WV - Origins on Elmore Branches (Green)	160,984	503,299	390,258	41,974	14,548	8,583,667	2,374,984	2,374,984
C Change "Off" Junction From Iaeger, WV to Bluefield, WV - Origins not on Elmore Branch (Red)	252,256	698,851	535,210	124,514	64,465	25,462,888	13,183,066	13,183,066
D Change "On" Junction From Iaeger, WV to Bluefield, WV (Gray)	17,639	50,668	38,815	14,606	10,407	2,986,812	2,128,145	2,128,145
Total Reroutes	2,224,534	\$12,502,710	\$6,087,976	\$2,485,935	\$653,925	508,371,234	133,727,038	133,727,038
Difference	xxx	\$6,414,734	xxx	\$1,832,010	xxx	xxx	xxx	xxx
Movements Where Reroute Decreased Total Miles								
A Change "Off" Junction from Iaeger, WV to Altavista, VA (Blue)	113,312	\$579,174	\$216,200	\$122,749	\$12,805	25,102,007	2,618,640	2,618,640
B Change "Off" Junction from Morri Branch Jct., WV to Bluefield, WV - Origins on Elmore Branches (Green)	116,131	443,878	342,762	40,313	24,245	8,243,997	4,958,159	4,958,159
C Change "Off" Junction From Iaeger, WV to Bluefield, WV - Origins not on Elmore Branch (Red)	1,301,179	2,990,237	2,219,344	676,512	368,772	138,754,967	75,413,573	75,413,573
D Change "On" Junction From Iaeger, WV to Bluefield, WV (Gray)	0	0	0	0	0	0	0	0
Total Reroutes	1,530,622	\$4,013,289	\$2,778,307	\$841,574	\$405,823	172,100,971	82,990,372	82,990,372
Difference	xxx	\$1,234,982	xxx	\$435,751	xxx	89,110,599	xxx	xxx

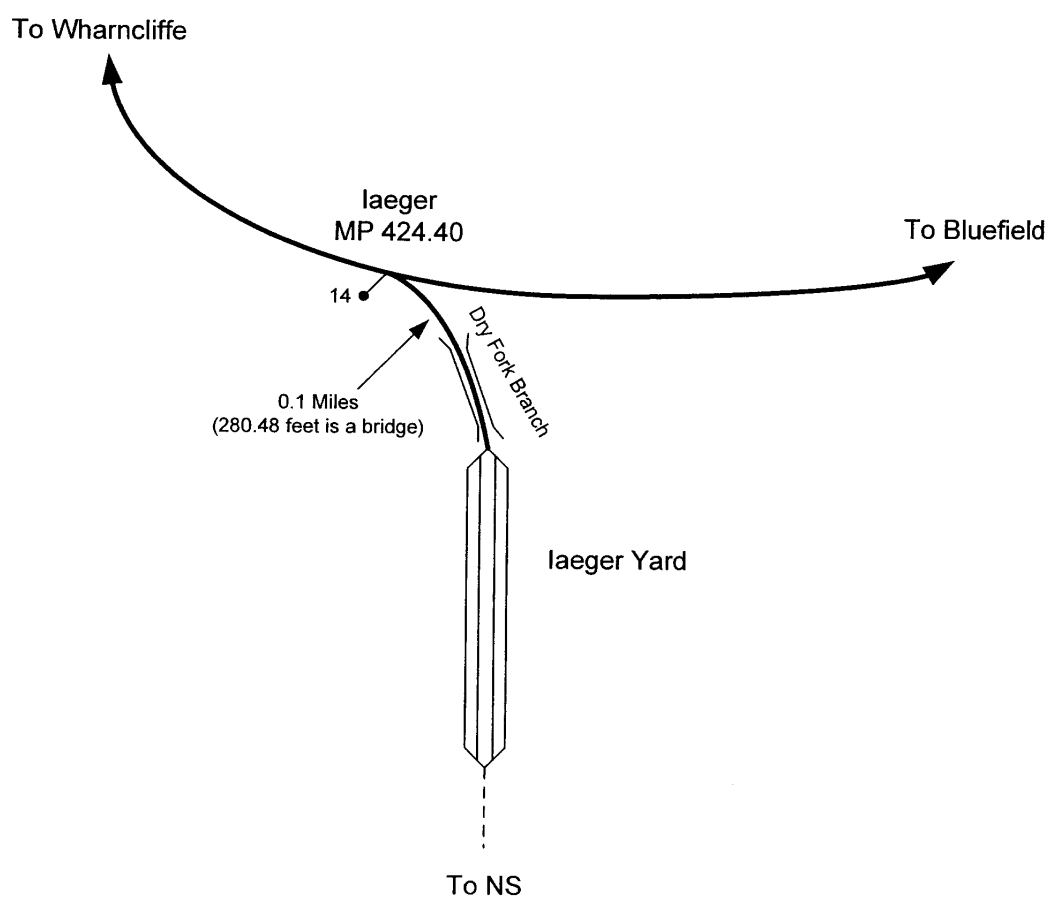
EXHIBIT S-3
HAS BEEN REDACTED

EXHIBIT S-4
HAS BEEN REDACTED

EXHIBIT S-5

HAS BEEN REDACTED

Schematic of laeger Yard Placement and Lead Track



**COST OF CHANGES IN TRACK CONFIGURATION
RESULTING IN RESTORATION OF ORIGINAL ROUTE
FOR CERTAIN P&SH CROSSOVER TRAFFIC**

1. Add Two (2) No. 14 Turnouts (laeger & Morri Branch Jct.)	\$102,597
2. Add Bridge Connecting Mainline (Wharnccliffe to Bluefield) to laeger Yard	\$799,066
3. Add 0.1 Miles of 115-pound Track & Grading from Mainline (Wharnccliffe to Bluefield) to laeger Yard	\$57,454
4. Total Additional Road Property Investment	\$959,117

Derivation of above amounts:

Line 1/Add two (2) No. 14 turnouts (electric) in cell H30 CP&L Rebuttal electronic workpaper "iiif3f.xls." Open CP&L Rebuttal electronic workpaper "IIIFTTotal.xls" to update the total.

Line 2/Add the bridge data from row 45 of the "Railroad" tab of CP&L Rebuttal electronic workpaper "CPL Rebuttal Bridges.xls" to an empty row (450 in this case) in the tab "CPL Rebuttal" in the same spreadsheet, matching the respective columns, such as piers, height, etc. Adjust the equation under the "Inventory Summary" tab in cells C2-9 to include the new row 450. Save the file and open CP&L Rebuttal electronic workpaper "iiif3f.xls" to update that file. Open CP&L Rebuttal electronic workpaper "IIIFTTotal.xls" to update the total.

Line 3/Add 0.1 miles of track to cell F17 of CP&L Rebuttal electronic workpaper "Track Tabulation.xls" Save the file and open CP&L Rebuttal electronic workpaper "iiif3f.xls" to update that file. Open CP&L Rebuttal electronic workpaper "IIIFTTotal.xls" to update the total.

Line 3/Add 0.05 miles of grading to segment no. 31 (Wharnccliffe to Bluestone) in tab "IIIF_Miles" of CP&L Rebuttal electronic workpaper "Ili-F_Grading Piedmont RR Rebuttal.123." Copy the new grading total from cell D16 on tab "IIIF_Summary" in the same spreadsheet to cell F8 of CP&L Rebuttal electronic workpaper "IIIFTTotal.xls." Finally, open CP&L Rebuttal electronic workpaper "Mobilization.xls." to update the final total in "IIIFTTotal.xls."