

213425

NORFOLK SOUTHERN CORPORATION
THREE COMMERCIAL PLACE
NORFOLK, VA 23510

James R. Paschall
General Attorney

Direct Dial Number
(757) 629-2759
fax (757) 533-4872

via DHL Express

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

February 25, 2005
ENTERED
Office of Proceedings
FEB 28 2005
Part of
Public Record
FEE RECEIVED
FEB 28 2005
SURFACE
TRANSPORTATION BOARD

Re: Docket No. AB-290 (Sub-No. 260X), Tennessee Railway Company
– Abandonment Exemption – Between Oneida, Tennessee and Nicks
Creek, Tennessee - In Scott County, Tennessee - Petition for Exemption

Dear Mr. Williams:

Enclosed for filing with the Board in the captioned proceeding are an original and ten copies of Norfolk Southern Railway Company's Petition for Exemption in the captioned docket. The petition contains a draft Federal Register Notice. Also, enclosed are a check for the filing fee and three diskettes in a word processing format that is compatible with the Board's word processing programs.

Please acknowledge receipt of this filing on the enclosed copy of this letter and return it to me in the self-addressed, stamped envelope.

Very truly yours,

J R Paschall
James R. Paschall

Enclosures
cc w/ encl: via DHL Express
Mr. Charles W. Kite
General Counsel
National Coal Corporation
8915 George Williams Road
Knoxville, TN 37923

FILED
FEB 28 2005
SURFACE
TRANSPORTATION BOARD

Mr. Vernon A. Williams
Re: AB-290, Sub-No 260X
February 25, 2005
Letter Page 2 of 2

cc w/ encl.

Honorable Dwight Murphy, County Mayor
Scott County
P. O. Box 69
County Courthouse
Huntsville, TN 27756-0069

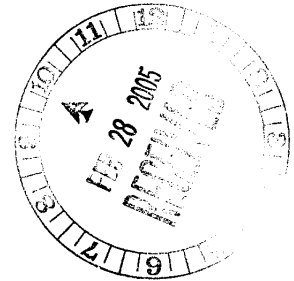
Mr. Pat Miller, Chairman,
Tennessee Regulatory Authority
460 James Robertson Parkway,
Nashville TN, 37243-0505

Mr. John Fisher, Transportation Manager II
Tennessee Department of Transportation
Office of Rail & Water Transportation
Suite 1800 James K. Polk Bldg.
Nashville, TN 37243

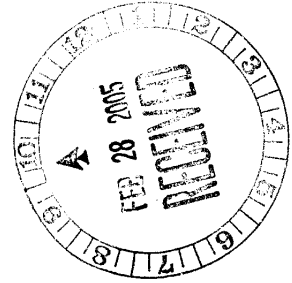
United States Department of Defense
Military Traffic Management Command (MTMCTEA)
Transportation Engineering Agency
Railroads for National Defense Program
720 Thimble Shoals, Blvd., Suite 130
Newport News, VA 23606-2574

Mr. Tom Ross, Chief of National Recreation and Trails
U. S. Department of the Interior - National Park Service
Recreation Resources Assistance Division
P.O. Box 37127
Washington, D.C., 20013-7127

U. S. Department of Agriculture,
Chief of the Forest Service
4th Floor N.W., Auditors' Building
14th Street and Independence Avenue, S.W.
Washington, D.C. 20250



BEFORE THE
SURFACE TRANSPORTATION BOARD



STB DOCKET NO. AB-290 (SUB-NO. 260X)

TENNESSEE RAILWAY COMPANY

- PETITION FOR EXEMPTION -

ABANDONMENT - BETWEEN ONEIDA, TN AND NICKS CREEK, TN -
IN SCOTT COUNTY, TENNESSEE

ENTERED
Office of Proceedings

FEB 28 2005

Part of
Public Record

FILED
FEB 28 2005
SURFACE
TRANSPORTATION BOARD

James R. Paschall
General Attorney
Norfolk Southern Railway Company
Three Commercial Place
Norfolk, VA 23510

(757) 629-2759

Attorney for Petitioner
Tennessee Railway Company

Dated: February 25, 2005

FEE RECEIVED

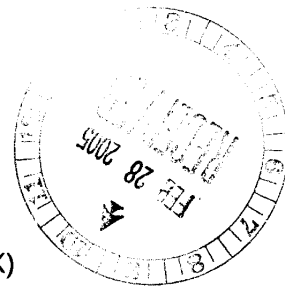
FEB 28 2005

SURFACE
TRANSPORTATION BOARD

BEFORE THE
SURFACE TRANSPORTATION BOARD

STB DOCKET NO. AB-290 (SUB-NO. 252X)

Tennessee Railway Company
- Petition For Exemption -
Abandonment - Between Oneida, TN and Nicks Creek, TN -
In Scott County, Tennessee



Tennessee Railway Company ("TNR"), a wholly-owned subsidiary of Norfolk Southern Railway Company ("NSR"), hereby petitions the Surface Transportation Board ("Board" or "STB"), pursuant to the provisions of 49 U.S.C. §10502, for exemption from the prior approval requirements of 49 U.S.C. §10903 to abandon an approximately 27.01-mile line of railroad between Milepost TE-0.95 near Oneida, Tennessee and Milepost TE-27.96 near Nicks Creek, Tennessee (the "Line"), in Scott County, Tennessee.

Section 10502 of Title 49 of the United States Code, as amended, directs the Board to exempt a transaction from regulation or prior approval when the Board finds that the transaction satisfies certain statutory criteria. In this petition, TNR fully satisfies the statutory criteria for an exemption from regulation for the abandonment of the Line and the Board's regulations for petitions for exemption for abandonment of lines of railroad at 49 C.F.R. §1152.60.

Background

The Line is a dead-end branch line located in a sparsely populated, mountainous area of northeastern Tennessee.¹ No shipments have moved over the Line since March 2004. At that time, the only active customer on the Line, United States Coal, Inc. ("U. S. Coal"), sold its coal mining operation and facilities at Smoky Junction, TN, near Milepost TE-26.25, to National Coal Corporation ("NCC").² NCC has asked TNR to retain the Line for possible future use for shipments of coal from Smoky Junction.³ NCC even has expressed some general interest in purchasing the Line, but not on terms that

¹The population of Scott County, TN, was 21,127 in 2000. The U. S. Census Bureau estimated the County's population at 21,675 in 2003. Few people from this small population live or work at the unincorporated, rural locations along the Line.

²Because it is a dead-end branch line, no overhead shipments could have moved over the Line.

³TNR expects NCC to reply to or protest this petition for exemption. TNR also expects NCC to be supported by local governmental entities or officials. TNR believes this petition will anticipate and refute any opposition argument of any possible relevance. The facts, especially (1) the current inactive status of the Line, (2) the transportation alternatives available to and currently used by the only potential shipper located on the Line, (3) the lack of any assurance of any future revenues from the operation of the Line (much less sufficient revenue to cover rehabilitation costs), (4) TNR's avoidable loss from previous Base Year operations over the Line, (5) TNR's forecasted avoidable loss from any reasonable projection of Forecast Year operations over the Line, (6) the condition of the Line, (7) the rehabilitation costs required to resume service over the Line and (8) the opportunity costs of retaining the Line in place clearly and conclusively show that the Board should grant the petition for exemption to abandon the Line. No purpose would be served by TNR presenting this clear evidence again in a long-form application. The costs set forth in this petition are calculated conservatively and in accordance with the Board's accounting and costing regulations and precedents. They are fully documented and supported. Any opponent of the petition will have as much time to respond to the petition as it would to an application.

would compensate TNR for the current net liquidation value of the Line.⁴ However, since it acquired the Smoky Junction operation, NCC has moved coal by truck from Smoky Junction to its own larger, loading facility on another NSR line at Turley, TN. Turley is approximately 20.5 miles from Smoky Junction via main highways.⁵

Thus, no currently active railroad customer along the Line will lose railroad service as a result of the Line's abandonment. Only one potential railroad customer, NCC, will lose the potential for railroad service if the Line is abandoned. No shippers at Oneida, TN will lose railroad service as a result of the Line's abandonment.

⁴Previous proposals with respect to the sale of this Line included compensation to TNR not only through payment of the net liquidation value directly, but a combination of compensation provisions including cash payments, traffic guarantees and liquidated damages. These proposals were made when the price of steel was much lower and thus, the net liquidation value of the Line would have been lower. Clearly, with the changed net liquidation values, the failure of any party to accept and agree upon these proposals within a reasonable time after they were made, and with the passage of considerable time since they were made, any such proposals or "offers" are no longer valid or "on the table." To the extent NCC believes there are outstanding offers to sell the Line at less than its current net liquidation value, for the reasons just stated, TNR and NSR believe that they have never been accepted and have expired or become invalid. To lend additional certainty to this conclusion, since this petition will be served upon NCC, TNR and NSR hereby give notice to NCC that any open "offer" to sell the Line or all or any part of the entire line between Oneida, TN and Devonian, TN is revoked. Of course, TNR will sell the Line to a party that can pay the purchase price for its net liquidation value (minus any mineral or similar rights or royalties) in accordance with, or under, the Board's OFA terms and procedures, in line with the requirements of 49 U.S.C. §10904.

⁵This distance was calculated using the internet site, Mapquest. Local roads over the mountains provide a shorter route between Smoky Junction and Turley but TNR does not know whether these roads are used by NCC or its carrier for shipments of coal from Smoky Junction to Turley or whether they are adequate to support that use. We previously understood that U. S. Coal had leased the Turley facility prior to its sale to NCC. NCC has stated in SEC filings that it acquired the Turley facility as well as the Smoky Junction operation from U. S. Coal. See footnote 11.

TNR experienced substantial avoidable losses and opportunity costs to retain, maintain and operate the Line for several years prior to March 2004. As a result of these unfavorable economics, TNR needed to keep maintenance of the Line to the minimum level necessary to continue service at FRA Class I track maintenance standards.⁶ NSR, as owner and operator of TNR, has anticipated for several years that the revenue from providing service over the Line would not cover TNR's costs of more extensive repair, rehabilitation and periodic program maintenance of the Line when that became necessary. Therefore, NSR negotiated with NCC's predecessor, U. S. Coal, starting as early as 2001, on plans to keep the Line in service through revenue increases and guarantees or sale of the Line to U. S. Coal or a short line operator or a combination of actions. NSR advised NCC of these proposals before NCC purchased the Smoky Junction facility. Neither U. S. Coal nor NCC accepted any NSR proposal (or offer). No party could reach agreement with NSR on a plan to maintain and keep the Line in operation at least at a break-even level through guaranteed revenue increases or on a sale of the Line for minimum value for TNR's assets. The Line has now deteriorated from use and other natural and weather-related deterioration and the cycle of more extensive, less than annual, program maintenance now has become due. The condition of the Line thus now requires the performance of extensive and costly

⁶Fortunately in terms of keeping the Line open and operating to date, TNR's prior investment in new 132# rail for the Line in 1979 and its program maintenance work during the same general time period and in the early 1990s permitted TNR to defer of reinvestment in the Line and to defer large or periodic maintenance projects for several years until the current time. This relatively recent reinvestment in the Line means that the main track on the Line consists entirely of 132# rail of higher value than might usually be expected to be found on a light density branch line.

rehabilitation work to resume service over the Line at minimum track safety standards.

Several factors prevent a viable railroad operation over the Line. The Smoky Junction coal loading tracks and facilities can hold only 13 cars, which can be loaded only as single cars. Even if the location could be expanded and loading methods improved, trains moving from Smoky Junction to Oneida could haul only as many as 20 cars at a time over the steep grades and around the significant curves on the Line.⁷ As it is, a coal shipper from Smoky Junction can not make unit train or even large block shipments of coal to electric utilities to take advantage of better prices and the utilities' preferences for receipt of coal in large quantities whenever possible.⁸

NCC has moved coal from Smoky Junction to its facility at Turley, TN for further rail shipment since it acquired the Smoky Junction, TN mine and facilities in March 2004 and began operating it in April 2004. The revenue from the low volume of shipments

⁷The number of cars on a train on this Line could not be increased by the use of additional locomotives. Prior train operations on this Line already required three locomotives to move relatively small numbers of cars over the steep grades. Use of even more locomotive power for such movements would negate any savings by TNR as a result of making fewer trips over the Line. Moreover, NSR could not bear such inefficient use of locomotive power, which could deprive other shippers at other, higher traffic locations on NSR lines of the locomotive power needed for NSR to promptly and efficiently handle higher volumes of traffic to or from those locations.

⁸It might be argued that several smaller shipments could be made to a marshaling yard over several days for combination into a unit train shipment for delivery. TNR would be unable to take advantage of any possible economies of unit train or large block operations if it were required to operate the Line in this manner. This type of piecemeal operation would result in inefficient use of equipment as cars were held for delivery for several days awaiting combination with other blocks of cars. It would increase the cost of train movements from Smoky Junction to the final destination dramatically. TNR could not offer unit train or large block rates for such a series of small shipments and storage at intermediate points without having the efficiencies of true unit train operations.

from Smoky Junction prior to NCC's diversion of those coal shipments to truck transportation to Turley for loading in rail cars was insufficient to cover the costs of routine maintenance and operation of the Line, much less any reinvestment in the plant and equipment. Revenue from any reasonably forecasted similar traffic levels, or at levels ten percent higher to account for increased production, at similar rates that would not divert traffic or prevent its movement, would make no contribution to the recovery of any of TNR's costs of the currently required rehabilitation and program maintenance work for the Line. However, TNR has no guarantee that any traffic at all will move over the Line in the future. Certainly, only increasing avoidable losses, no return on TNR's investment in the Line and no profit from any continued TNR service over the Line can be reasonably forecasted.

NCC cannot provide TNR with traffic or revenue that would cover the costs to rehabilitate, maintain and operate the Line. Receivers generally pay freight charges, and will not pay a premium to receive coal from this location. NCC almost certainly would make its coal price non-competitive if it subsidized the rail operation to the extent required to recover costs. The wide gap between past costs and revenues from the most recent operations further shows that revenue from any reasonable forecast of future traffic could not cover the costs of rehabilitation, maintenance and operation of the Line. TNR incurred only minimal normalized maintenance costs during the last 12 months during which shipments were made over the Line, April 2003 - March 2004. Yet, the gross revenues available from operation of the Line fell well short of covering TNR's costs of maintenance and operation of the Line. TNR suffer an avoidable loss

from operations of \$233,069 in this Base Year. This loss would only expand to \$359,652 in the Forecast Year. Also, see NCC's statements to the U. S. Securities and Exchange Commission about its limited future production possibilities quoted in footnote 19 from its January 21, 2005 SEC filing identified with greater specificity in footnote 11.

According to U. S. Mine Health and Safety Administration statistics available on that agency's web site, NCC's production of coal from its Mine Number 9 in Scott County (Smoky Junction), TN, for the first nine months of its operation of the mine (which were the last nine months of 2004), was about 10 per cent higher than U. S. Coal's production during its last nine months of operating the mine (which were the last six months of 2003 and the first three months of 2004). Even if TNR's hypothetical projected gross revenues were to increase by 10 per cent over those received for shipments over the Line in the Base Year⁹ with rates also increased by an amount

⁹Since there have been no shipments over the Line since March 2004, TNR can not use a Base Year period that ends within the six months preceding the filing date of this petition to show the recent avoidable losses that it has incurred from the continued maintenance and operation of this Line. In order to adequately represent past traffic and revenue levels, and costs, for a full 12-month period of actual operations over the Line, TNR presents revenue and cost evidence in this petition for a Base Year of April 1, 2003 through March 31, 2004. These were the last 12 months during which shipments over the Line were made. This provides a traffic level for a Forecast Year, or Subsidization Year, of February 1, 2005-January 31, 2006. While we do not formally calculate a 10 per cent increase in traffic or revenues to correspond to NCC's 10 per cent increase in production at the Smoky Junction mine, a simple calculation shows that a 10 per cent increase in TNR's gross revenues from providing service over the Line, even if it were all profit, would not even cover the forecasted avoidable losses from operation of the Line in the Forecast Year, much less any of the immediately required rehabilitation costs to return the Line to service. Since NCC is not using rail service from Smoky Junction for shipment of the coal it mines there, no basis for attributing any future revenue to shipments from Smoky Junction over the Line by NCC actually exists at all, much less any guarantee that any future shipments will be made over the Line. Conjecture over even larger increases in potential traffic would be too speculative to

calculated using the GDP deflator percentage, and the additional \$126,026 were all profit, which it would not be, that revenue would not cover the avoidable costs of operation of the Line, much less cover rehabilitation costs. Thus, any such increased revenue level would not contribute a single dollar toward the costs of necessary rehabilitation and program maintenance work for the Line.¹⁰

NCC itself notes at page 5 its January 21, 2005 SEC filing that receivers of coal, not shippers, almost always pay the transportation costs for delivery of that coal. Receivers will not pay a premium for coal from a small mine that does not have the capacity to ship the coal in unit trains or at least in large blocks. As NCC itself acknowledged at page 5 of its January 21, 2005 SEC filing, if NCC raised the price of its coal from Smoky Junction over a certain level in order to help pay for transportation costs, such as the rehabilitation of the Line, the price of that coal would become non-competitive with coal from other origins. The, NCC's customers would buy their coal from the owners or operators of those other sources of supply.

NCC's current practice of trucking coal to its own facility at Turley, TN, for loading

have any basis or credibility.

¹⁰Of course, in view of the current inactive status of the Line, any traffic projection, much less one that exceeds traffic levels in the Base Year, is purely hypothetical and must be considered a best case scenario for any opponent of abandonment of the Line. No shipments have been made over the Line for nearly one year. TNR is not guaranteed that any future traffic will move over the Line that might produce revenues that could cover its costs. TNR's forecasts, which are reasonably based on former shipment levels during the last year of operations over the Line, show that even with a 10 percent increase in shipments and revenues based on NCC's increase in production over the production levels of its predecessor U. S. Coal, the Line can not be rehabilitated and operated profitably.

in larger quantities to a presumably larger number of receivers is economically logical. Moreover, it demonstrates not only NCC's own economic incentive to use its larger Turley loading facility, but the economic barrier to the rehabilitation and future use of the Smoky Junction-Oneida Line.¹¹ NCC's Turley facility can handle 50 cars at a time for loading and store 50 empty cars. Although that facility currently does not have flood loading capability, NCC has demonstrated that it can quickly and efficiently load large blocks of cars at the facility.¹² Above a certain price for straight rail service, as well as for short distance movements, truck carriage of coal for transloading to rail or all-truck movements to destination become the lower cost option for transportation.¹³

¹¹NCC stated in its January 21, 2005 filing with the U. S. Securities and Exchange Commission, Securities and Exchange Commission Form-Type: SB2 A00, prospectus filed by National Coal Corporation with the SEC on January 21, 2005, Registration No. 333-120146, Amendment No. 1 to Form SB-2 Registration Statement Under the Securities Act of 1933, at pages 12-13: "Additionally, when capacity is available, we charge third party coal producers a negotiated price per ton for their use of our load-out facility located in Turley, TN. This load-out facility allows easy, direct access to load previously mined coal onto rail cars for shipment to their customers. This load-out facility was acquired in April 2004 from U.S. Coal, Inc. We do not expect the sale of coal purchased from third party producers or the rental to third parties of our load-out facility to represent a material portion of our future business." We will refer to this filing as NCC January 21, 2005 SEC filing hereafter.

¹²As an experiment and in order to permit NCC to take advantage of an opportunity to make a sale requiring a large shipment, NSR allowed NCC to flood load 100 cars in two-50 car increments using frond-end loaders at Turley. This is not a traditional floodload method and might not work in many locations or in all instances. Nonetheless, NCC loaded the train in a timely and efficient manner, showing that NCC is capable of making a large shipment at one time from Turley, which it could not do from Smoky Junction.

¹³In fact, NCC's press release on a recently acquired mining operation in Kentucky mentions making truck deliveries of coal from that mine to a Kentucky electric utility company.

TNR would sustain even larger avoidable losses than it has in the past, assuming the return of traffic for shipment over the Line at, or in any reasonable range above, the previous Base Year levels in order to rehabilitate, maintain and operate the Line. Just in order to resume service in the Forecast or Subsidization Year, TNR would need to spend over \$2 million to bring the segment of the Line between Milepost TE-0.95 near Oneida, TN and Milepost TE-26.25 at Smoky Junction, TN to FRA Class I track maintenance standards. The segment of the Line between Milepost TE-26.25 and Milepost TE-27.96 has been out of service for over two years and no costs for the rehabilitation or maintenance of that segment are included in the calculations in this petition.¹⁴ Clearly, this segment qualifies for exemption to permit its abandonment because of its out-of-service status alone. The verified certification to the out-of-service status of this segment of the Line of NSR's General Manager Western Region, G. R. Comstock, is attached to this petition.

NCC has not requested rail service over the Line, as contrasted with requesting that the Line be kept available for service, since NCC acquired the Smoky Junction, TN operations and the loading facility at Turley, TN.¹⁵ The detailed presentation in the

¹⁴If the adjacent segment of the Line were to be acquired or put back in operation, this 1.71-mile segment also would need to be rehabilitated. Also, the value of the track and material on the segment and of any land held in fee would need to be added to the net liquidation value of the Oneida-Smoky Junction segment to calculate the net liquidation value for the entire Line.

¹⁵NSR, for TNR, has advised NCC that repair of damage from washouts, normal and program maintenance and rehabilitation of certain structures would need to be performed in order to resume service and operate the Line at FRA Class I safety standards should any specific request transportation service for coal shipments over the Line be made.

verified statement of Stephen H. Morrell, NS Director Engineering and Cost Systems, shows that large expenditures on rehabilitation and program maintenance work would be imminently required for TNR to provide further service over the Line. The Line's current condition has rendered it unserviceable.¹⁶ Even with the most conservative of repair plans and calculations of costs, Mr. Morrell calculates that the rehabilitation and program maintenance work needed to resume service over the Line would cost TNR over \$2 million over normalized maintenance costs in the Forecast Year, without any guarantee that TNR can recover these costs.

NCC's continuing use of truck transportation for its shipments from Smoky Junction shows that local highways can handle the truck traffic and that neither NCC's current business at Smoky Junction nor the current jobs of any NCC employees at that location are dependent in any way on the operation of rail service on the Oneida-Smoky Junction-Nicks Creek Line. NCC has trucked coal to its facility at Turley, TN for loading of its own accord and for apparently good economic reasons since acquiring the Smoky Junction facilities. Use of this transportation option likely has increased its potential customer base, allowed more efficient loading of larger blocks of cars, controlled costs, and allowed NCC's customers to take advantage of more favorable rail transportation rates, reducing the total delivered cost of NCC's coal.

TNR's avoidable loss from the operation of the Line during the Base Year was \$233,069.00. Assuming resumption of traffic from Smoky Junction at previous levels,

¹⁶A load of stone was dumped on the Line near Oneida several months ago. While this presents an obvious obstacle to service over the Line, in fact it would take only a brief amount of time and relatively small expense to clear this stone from the

but with a 4.24 per cent increase in revenues based on the Gross Domestic Product deflator, TNR's avoidable loss from operations in the Forecast Year of February 1, 2005-January 31, 2006, would be \$214,344.00 and its avoidable loss from operations including return on value would be \$359,652.00. However, this is not the entire loss that TNR would incur. Resumption of service over the Line would require immediate program maintenance, repair and rehabilitation in the Forecast Year that would produce a subsidization cost for rehabilitation alone of \$2,033,832.00. This rehabilitation cost would increase the avoidable loss including return on value and subsidization costs for the Forecast/Subsidization Year to \$2,393,484.00.

Mr. Morrell's verified statement also shows that certain additional rehabilitation expense for bridge work, mostly for a bridge at Milepost TE-13.0, can be deferred only about one additional year. Thus, this bridge repair expense, totaling another \$786,300.00, also will need to be incurred in the near future in order to keep the Line in operation. The absence of revenue for TNR to recover the costs for this further rehabilitation work that will be needed within the year (2006) following the Forecast Year to keep the Line in operation only would exacerbate TNR's losses from retention, maintenance and operation of the Line.

In addition to the avoidable losses from maintenance and operation of the Line and the unrecoverable costs for imminently required rehabilitation and program maintenance work, TNR is bearing the opportunity costs of retaining the track and material on the Line, which have considerable net salvage value. TNR should not be

right-of-way if service over the Line were to be resumed.

required to continue to bear the opportunity cost of at least \$237,623 based only on the current net salvage value of the track and materials on the 25.30 miles of the Line between Oneida and Smoky Junction alone, in the Forecast Year, which would be caused by keeping its assets tied up in a non-productive or unprofitable property.¹⁷ See Exhibit 4. TNR and NSR can salvage or use the rail and other material on the Line, with an estimated net liquidation value for track and material alone, after subtracting costs of removal, of \$1,815,820.00, more profitably elsewhere on its system. See Exhibit 5. We emphasize that this net liquidation value figure is actually just a net salvage value figure and is based only on the track and materials in the 25.30 miles of main track on the Line between Oneida, TN and Smoky Junction, TN. If the track and material for the sidings on the Line and the remaining 1.71 miles of main track on the Line between Smoky Junction, TN and Nicks Creek, TN, were included, the net salvage value for the entire Line would increase by approximately \$120,514.00. The value of land held by TNR in fee also would need to be added to the net salvage value to produce the total net liquidation cost for the Line.

TNR's past and projected future avoidable losses to maintain and operate the Line, TNR's opportunity costs from tying up valuable assets on the Line, the imminent repair and rehabilitation costs for the Line in order to resume service over it and the lack of potential adequate revenue from traffic that could be generated by the mine at Smoky Junction, TN or from any possible shipper or receiver of freight at the other sparsely

¹⁷This cost is calculated for purposes of this petition before the addition of the land value of the Line's right-of-way, which TNR will provide if necessary to respond to an Offer of Financial Assistance.

populated locations along the Line are large and obvious. The only potential rail shipper along this Line, NCC, not only has, but now exclusively uses, other transportation alternatives for its transportation requirements from Smoky Junction. No traffic is currently moving over the Line and no volume of future traffic is or can be guaranteed to cover TNR's costs, much less yield any return on investment or profit. These facts clearly support the Board's grant of an exemption from the prior approval requirements of 49 U.S.C. 10903 for TNR's abandonment of the Line.

General Information

Further general information required for the petition and in support of an exemption to abandon the Line is as follows:

(1) The petitioner is Tennessee Railway Company ("TNR"), a wholly-owned subsidiary of Norfolk Southern Railway Company ("NSR"). NSR operates a railroad system in twenty States throughout the Eastern and Midwestern United States, including Tennessee, as well as in Ontario, Canada, and has trackage or haulage arrangements on lines in parts of five other Eastern and Midwestern States. NSR was formerly Southern Railway Company and Norfolk and Western Railway Company. NSR is a wholly-owned subsidiary of Norfolk Southern Corporation, a non-carrier.

(2) Petitioner is a common carrier by railroad subject to Title 49 of the United States Code, Subtitle IV, Chapter 105 and the Board's jurisdiction.

(3) Pursuant to 49 U.S.C. § 10502, the relief sought is an exemption from the prior approval requirements of 49 U.S.C. § 10903 so that TNR may abandon the subject

railroad Line without obtaining formal prior approval from the Board.

(4) A map of the TNR Oneida-Nicks Creek, TN Line that is to be abandoned under the exemption sought in this petition is attached as Exhibit 1.

(5) This Line was included on NSR and subsidiaries' system diagram map, dated September 2003, but not filed with the Board until March 29, 2004, as part of a railroad line for which an application to abandon rail freight service might be filed within the next three years. The line listed on the system diagram map extended between Milepost TE-0.0 at Oneida, TN and Milepost TE-42.0 near Devonia, TN. The segment of the line between Milepost 27.96 near Nicks Creek, TN and Milepost TE-42.0 has been out of service for several years and was the subject of a notice of exemption published by the Board in STB Docket No. AB-290 (Sub-No. 259X), *Tennessee Railway Company -- Abandonment Exemption -- In Anderson and Campbell Counties, TN* (STB Notice of Exemption served January 19, 2005). National Coal Corporation ("NCC") has filed a notice of intent to file an offer of financial assistance and information request with respect to that segment of the longer Oneida-Devonia, TN line.

In this petition, TNR shows that the costs of retaining, rehabilitating, maintaining and operating the subject Line, and the opportunity costs of leaving it in place, along with the absence of current traffic on the Line and the lack of a guarantee of any future revenue from its operation, so clearly outweigh any reasonably forecasted revenues from the possible resumption of local coal traffic that has currently been diverted to truck-rail movement by the one potential customer located on the Line at Smoky Junction, TN that an exemption to abandon the Line is appropriate and fully justified.

Therefore, an application for formal prior approval from the Board for TNR's abandonment of the Line is not necessary.

(6) TNR is filing this petition because it cannot justify the imminent rehabilitation and program maintenance costs to keep the Line, which has not been used for shipments for almost one year, available for an uncertain volume of future traffic. Moreover, even under the most favorable assumptions any reasonable projection of future traffic at rates that move the traffic would not produce revenue sufficient to recover the costs of normalized maintenance and operation of the Line, much less the rehabilitation and program maintenance costs or a profit. TNR also cannot justify leaving valuable rail and other assets dormant and in place when they could be salvaged or used elsewhere in the NSR system. TNR and its parent company, NSR, need to invest their limited resources and existing assets in lines that have a greater traffic density and can be operated profitably in service to the overall shipping public. TNR can not afford to expend its resources, which are derived from revenues from providing service to its other customers, to subsidize operation of light density lines on behalf of potential shippers or of actual shippers whose shipments, if they were to resume. In this case, resumption of maintenance and operation of the Line would result in such cross-subsidization because reasonably forecasted revenue levels would produce no return on TNR's investment, and in fact would result in continuing avoidable operating losses.

(7) Counsel for Petitioner to whom correspondence may be sent is:

James R. Paschall
General Attorney

Norfolk Southern Railway Company
Three Commercial Place
Norfolk, Virginia 23510-2191

Counsel's Phone Number is: (757) 629-2759

(8) The subject Line that will be abandoned pursuant to the exemption in this proceeding traverses United States Postal Service Zip codes 37756 and 37841.

Operations, Maintenance, Condition of Line

Local train service over the Line between Oneida, TN and Smoky Junction, TN would originate and terminate at Oneida, TN. Details of the previous operation are set forth in more detail in the verified statements of Marcellus C. Kirchner and Stephen H. Morrell and attachments, exhibits and workpapers. The workpapers are included after the last exhibit. TNR moved 1,978 carloads of coal traffic, producing gross revenue of \$1,209,023.00, but an avoidable loss from operations of \$233,069 during the Base Year. The cost and revenue amounts in this petition and the verified statements are for the 25.30 miles of the 27.01-mile Line between MP TE-0.95 near Oneida, TN and Milepost TE-26.25 at Smoky Junction. The remainder of the Line has been out of service for more than two years, as the attached certification attests.

Under a future scenario for the operation of the Line, we assume a maximum operating speed for the local train at 10 miles per hour. We assume maintenance costs at FRA Class 1 track standards, which would support only a 10-mile per hour operation. A 3-person crew was required for the operation of trains on this Line. Even though TNR incurred overtime expenses on some days' operations while the Line was in service and

might do so during any potential future operation of the Line, the pro forma labor costs used in this petition include no overtime costs.

The poor condition of the Line and specific rehabilitation and maintenance needs and costs are described in detail in the verified statement and attachments of Stephen H. Morrell, who participated in an inspection of the Line in August 2004. Normalized maintenance costs are shown in Exhibit 6.

Rehabilitation and Repair Costs

Resumption of operations over the Line would require an immediate expenditure of over \$2 million for rehabilitation and program maintenance work. This rehabilitation cost would be the largest component of subsidization costs. It is the only subsidization cost presented in this petition, although TNR would present additional subsidization costs if necessary in the event an Offer of Financial Assistance to subsidize operations over the Line is made. The rehabilitation and program maintenance work, and the reasons for the immediate need to do that work, are explained in the verified statement of Stephen H. Morrell. Mr. Morrell also explains that the rugged terrain in which the Line is located resulted in its construction requiring more than the usual amount of curvature and elevation change. These features of the track and the extreme temperature changes to which the Line is subjected over the course of a year add to the costs of maintaining the Line.

TNR could not hope, much less project, to recover the rehabilitation and program maintenance costs that would be required to resume operations over the Line, which

has deteriorated due to weather conditions and lack of maintenance over the past year. The Line could not be safely operated at FRA Class I track standards without immediate expenditures of almost \$2 million and additional extraordinary rehabilitation costs estimated at \$786,000.00, mostly for bridge repair work at Milepost TE-13.0, in 2006, as well as another \$505,000, mostly for a bridge truss replacement at Milepost TE-14.5 in 2007, as further detailed in Mr. Morrell's verified statement.

Reasons for Abandonment

No shipments have moved over the Line since March 2004. TNR has no guarantee that any future traffic will move over the Line or that any revenue will be derived from its operation. TNR incurred substantial avoidable losses from the maintenance and operation of the Line during the last full 12-month period that shipments moved over the Line. Even if coal shipments were to resume from NCC's facility at Smoky Junction, TN, at previous levels shipped by U. S. Coal from that location, or at ten percent above those levels in line with recent production increases at that location, and at rates that would actually move the traffic, TNR revenue from transporting those shipments would be insufficient to cover the costs of rehabilitation, maintenance and operation of the Line. NCC has, and currently uses exclusively, the transportation alternative of moving coal by truck to its nearby facility at Turley, TN, where it can load coal on to rail cars more quickly and efficiently than it could at Smoky Junction. The Line would require rehabilitation work costing at least \$2,033,832.00 to return the Line to service and additional work costing at least another \$786,000.00 in

the following year. There is no assurance of any future revenue from operation of the Line, much less enough revenue to cover normalized maintenance and operating costs and to recover the required rehabilitation costs. There is no realistic possibility of developing additional traffic on the Line, which serves only sparsely populated rural locations.

TNR incurs substantial opportunity costs, amounting to \$237,623 in the Forecast Year based on the net salvage value of the track and material on the 25.30 miles of the Line between Oneida and Smoky Junction alone, in order to continue to retain, maintain and operate this Line.

TNR's avoidable loss from maintenance and operation of the Line in the Base Year and projected avoidable loss for maintenance and operation in the Forecast Year are shown in detail in the attached verified statements of Stephen H. Morrell and Marcellus C. Kirchner and in Exhibit 3. The key figures are summarized below.

Summary of Key Traffic, Revenue and Cost Information

The traffic, revenue and cost information for the Line is contained in Exhibits 2, 3, 4 and 6 and explained in the verified statements of Stephen H. Morrell and Marcellus C. Kirchner. Opportunity costs are shown in more detail in Exhibit 4. Net salvage value of the rail on the Line is shown in Exhibit 5.

The key revenue, cost, avoidable loss, net liquidation value and opportunity cost information relating to the Oneida-Smoky Junction portion of the Line is as follows:

Base Year	Forecast/Subsidization Year
-----------	-----------------------------

Revenues		
Attributable to Line	\$1,209,023	\$1,260,258
Total Avoidable Costs	\$1,442,092	\$1,474,062
Total Return on Value		\$145,308
Avoidable Loss from Operations	\$233,069	\$214,344
Avoidable Loss including return on value		\$359,652
Rehabilitation/Repair Costs		\$2,033,832
Total Avoidable Loss Including Subsidization Cost And return on value		\$2,393,484
Net Liquidation Value - Only Main Line Track and Material between Oneida and Smoky Junction Only		\$1,815,820
Opportunity Cost		\$237,523

The currently estimated rehabilitation cost of \$2,033,832.00 imminently required to put the Line back into service would be the principal element of any subsidization cost for the Line for the Subsidization Year. The period of that year would coincide with period of the Forecast Year.¹⁸

Efforts to Continue Service; Alternate Service Options; Transportation

¹⁸In the unlikely event that an offer to subsidize operation of the Line is made in this proceeding, TNR will prepare a more complete subsidization analysis promptly.

Alternatives; Transportation Network

As previously stated, NSR (TNR) has been exploring possible plans to retain service over the Line and negotiating with various parties, mostly with the previous owner of the Smoky Junction facilities, U. S. Coal, for several years to find a way to retain service over the Line, but without success. The economics for continued investment in and maintenance and operation of this Line simply do not permit its continued operation.

Receivers of coal generally pay the freight charges for its transportation. There would be no reason for those receivers to pay higher rates to receive coal from Smoky Junction, usually after relatively short railroad hauls, when coal could be trucked to other nearby facilities on the railroad or all the way to the destinations at lower costs. Therefore, rate increases are not a viable option for raising the amount of revenue required to rehabilitate, maintain and operate the subject Line.

The unfavorable economics of this Line have made purchase of the Line by a shipper or a short line operator equally unattractive as an option to prevent TNR's continuing avoidable losses from the maintenance and operation of the Line and the ultimate abandonment of the Line. Program maintenance and rehabilitation costs that have now become necessary only further hinder the possibility that the Line could be sold to and maintained and operated by a lower cost operator.

Despite NCC's requests to keep the Line available for its use, the potential for any traffic, much less increased or profitable traffic, from NCC's Smoky Junction, TN operation is speculative at best. NCC has been trucking coal to its loading facility at

Turley, TN for further shipment by rail since it took over the Smoky Junction facilities. As we noted above, there are good reasons for NCC to operate in this way. Moreover, no additional railroad customers, much less any that would require frequent or high volume railroad freight service, are located on the Line or can be expected to locate on the Line in this sparsely settled area of unincorporated rural locations with almost no population. There is little prospect for any industrial development that would provide significantly increased railroad business in areas of Scott County near the subject Line. None of the five industrial parks in Scott County, which are at Oneida, Helenwood and Winfield, are located along this Line.

While there is no basis for projecting any future rail traffic at all from NCC for movement over the Line, if there were any realistic basis to project potential coal shipments over the Line, it would be at the traffic levels of U. S. Coal in the Base Year, or at most, at a level ten percent above those levels consistent with NCC's increase in production at Smoky Junction. As previously shown, these traffic levels, moving at rates that are not so high that the traffic would be diverted to motor-rail and all-truck transportation, clearly could not come close to producing the revenue needed to justify the rehabilitation, maintenance and operation of the Line.

Statements made by NCC in its January 21, 2005 filing with the SEC would stand in stark contrast to any assertions concerning the company's ability to produce additional revenue to support the operation of the rail line from Smoky Junction to Oneida.¹⁹ Those statements, quoted in the accompanying footnote, can only lead to a

¹⁹NCC stated in the NCC January 21, 2005 SEC filing at page 5: "We were

conclusion that NCC can provide no assurance of any future levels of production and no guarantee to TNR that it can recover its costs of rehabilitation, maintenance and continued operation of the Line.

Scott County, Tennessee and the surrounding region is served by a road and highway system that is adequate to handle motor carrier traffic to and from businesses in the county, including the trucking of coal from Smoky Junction to National Coal's loading facility on a parallel NSR line at Turley, TN. North-South U. S. Highway 27 serves the western area of Scott County. Tennessee north-south Route 118 serves Smoky Junction. East-west Tennessee Route 63 is a few miles north of Smoky Junction and connects U. S. Highway 27 with Interstate Highway I-75 and U. S. Route 25W near National Coal Corporation's facility on the parallel NSR line at Turley, about

formed to create a regional coal producer in Tennessee. We had no revenues from inception until the third quarter 2003 when we began mining operations. We are not profitable and have a limited operating history. We must be regarded as a risky venture with all of the unforeseen costs, expenses, problems, risks and difficulties to which such ventures are subject."

"Our coal sales for the first nine months of 2004 were approximately \$9,873,935. There is no assurance that we can achieve greater sales or maintain profitable sales. We expect that many coal producers could produce and sell coal at cheaper prices per ton than our production cost rates, which could adversely affect our revenues and profits, if any. There is no assurance that we will ever operate profitably. There is no assurance that we will generate continued revenues or any profits, or that the market price of our common stock will be increased thereby."

NCC further stated at page 14 of the same filing: "We estimate our cost of commencing mining operations at a new mine is approximately \$500,000 to \$750,000, including the cost of reclamation bonds. We do not generate sufficient cash from operations to fund new mine development, and our expansion into new mines therefore depends on our ability to raise the required funds through debt or equity offering. If we are not able to raise additional financing or if such financing is not available on acceptable terms, we may be unable to expand our mining operations beyond current production levels."

10 miles to the east on Tennessee Route 63. Tennessee Routes 53 and 297 also serve Scott County. The connection to east-west Interstate Highway 40 is about 35 miles to the south of Smoky Junction on I-75.

Since NCC acquired the U. S. Coal mining operation at Smoky Junction in March 2004, NCC has loaded coal mined at Smoky Junction for shipment by rail exclusively at its facility at Turley, TN, on a parallel NSR rail line after the coal is trucked to Turley from Smoky Junction. Any argument that the coal traffic from Smoky Junction cannot be diverted to highway or would overstress the road network when that coal has been trucked to Turley for almost one year preceding the date of this petition clearly cannot be accepted.

Moreover, NCC itself described the transportation network serving its properties at page 38 of its January 21, 2005 filing with the SEC as follows:

Transportation facilities in the area of these mineral rights include roads and roads and rail. The road network includes Tennessee State Highway 116, which crosses the mineral rights, and several gravel and hard surface roads that provide adequate access for any mining operations. Interstate Highways 75 and 40 are within a few miles of our Tennessee properties. All of the rail facilities are served by the Norfolk Southern or CSX Railroads.

Upon abandonment of the subject Line, NCC's traffic can continue to move via motor-rail transload service through facilities on NSR's line at Turley, TN or by straight truck service to utilities in the region.²⁰ NSR's main north-south line passes through Oneida, which is approximately the same distance via highway from Smoky Junction as Turley is from Smoky Junction.

²⁰It also may be possible for NCC to arrange for shipment from other nearby loading facilities on parallel NSR lines, such as the one at Briceville, TN.

Communities on Line

No incorporated, populated community on the Line will lose rail service as a result of the abandonment. Smoky Junction, TN and Nicks Creek, TN²¹ are rural locations that would receive any U. S. Mail service via Huntsville, TN addresses. No shipments have been made to or from any of the other stations on the Line, Stanley, Newtown, Winona, Norma or Laco, all of which also are rural locations, for many years. The entire population of Scott County, TN was 21,127 in the year 2000 census. The U. S. Census Bureau estimated the county's population at 21,675 in 2003, a 2.6% growth rate, which ranked the county 41st of 95 counties in Tennessee in the growth rate category.

TNR will retain 0.95-mile of line at Oneida for operating and storage purposes. No active railroad customers are located on this segment of line. More importantly, NSR will continue to provide rail service to any railroad customers at Oneida, TN over NSR's (The Cincinnati, New Orleans and Texas Pacific Railway Company subsidiary) parallel north-south main line, which also passes through Oneida.

TNR anticipates that Scott County may appear in this proceeding to argue that the area's roads and highways could not handle the coal traffic that would be diverted to

²¹NSR's timetable and certain other references spell "Smoky" with an "e" between the "k" and "y." NSR spelled "Nick's Creek" with an apostrophe in its filing in STB Docket No. AB-290 (Sub-No. 259X), *Tennessee Railway Company -- Abandonment Exemption -- In Anderson and Campbell Counties, TN* (STB Notice of Exemption served January 19, 2005), but further research has disclosed that spelling "Nicks" without the apostrophe is the correct, or at least the preferred, spelling.

them due to abandonment of the Line.²² If this assertion were made, it would be refuted by the fact that the coal traffic from Smoky Junction in fact has been moving via highway to Turley for almost one year and by the statement of NCC about the capability of the highway system to handle its traffic that is quoted in the previous section of this petition.²³

Scott County also might be expected to argue that the railroad line is vital to the county's economy and development, but this would be a significant overstatement at best. While Scott County had been an economically depressed area until recent years,

²²Campbell and Anderson Counties could support Scott County in this assertion, but the Line does not run through those counties. Those counties have publicly asserted that the abandonment of the adjacent segment of line between Nicks Creek, TN and Devonia, TN could prevent movements of coal over the rail line to the detriment of the road system in their counties. This assertion would be purely speculative. If any coal has moved from Devonia, TN in the past seven years or more, it has moved by truck. Moreover, any claim of increased production of coal for possible shipment by rail by NCC at Devonia, TN would be speculative at best and certainly could not be considered imminent. In the NCC January 21, 2005 SEC filing, NCC stated: "We also have railroad facilities located at Devonia, Tennessee, where Tennessee Mining, Inc. (a division of Addington Enterprises, Inc.) was active until the spring of 1998. The Devonia location is currently idle and requires capital improvements to become operational." No shipments have moved over the line between Devonia, TN and Smoky Junction, TN since at least the date on which Addington terminated its operations at Devonia almost seven years ago. NCC's January 21, 2005 SEC filing also indicates that previous core samples from the underground mines at Devonia showed the coal in those mines was very high in sulfur content, which would severely limit the number of customers interested in coal from that location.

²³A tenfold increase in truck traffic of coal from increased production, as we have seen predicted in some press reports, if attributed to increased production at NCC Mine No. 9 in Scott County, would result in that mine producing double the amount of coal mined at all ten active underground mines in the State of Tennessee in 2003, according to statistics at the U. S. Department of Energy web site, which certainly surpasses belief. See the previous footnote if any such assertion is made with respect to projected future coal shipments from Devonia.

it has made significant progress in improving and diversifying its economy.

Significantly, the increasing development of the 110,000-acre Big South Fork National River and Recreation Area, established in 1974, is bringing numerous new jobs in the tourism and recreation industry to Scott County.²⁴

The U. S. Census Bureau's Profile of Selected Economic Characteristics, 2000, available at the Bureau's web site, showed a civilian labor force of 8,534 in Scott County in the year 2000, with an unemployment rate of 7.3%. The increased development of the Big South Fork National River and Recreation Area and the overall improvement in the economy in the past few years has reduced that percentage, which was reported to be as low as 3.9% in 2001, to 6.2% in the third quarter of 2004, according to the latest quarterly data available from the Bureau of Labor Statistics. In any event, in the year 2000, only 195 persons in the county were employed in "Agriculture, forestry, fishing and hunting, and mining," and only 1.1 percent of the county work force was employed in the mining industry, according to the U. S. Census Bureau report.

According to Scott County's web site, major employers in the County other than government and service industries²⁵ and the approximate number of their employees include Wabash - National Corporation (500), Tennier Industries (450), Strunk Brothers, Inc. (69), Team Apparel (55) and Highland Steel Erectors (45) all at Huntsville, TN; Hartco Flooring (450), Denim Processing (350), HBD Industries (225) and Barna and

²⁴The County is about 75 miles from Knoxville.

²⁵Information concerning employment in the county in the late 1990s indicated that the county government, its school system, and the ninety-nine-bed Scott County Hospital employed the largest numbers of non-manufacturing workers in the county.

Danner (75) at Oneida, TN, along with several other businesses at Oneida that employ between 10 and 40 persons; and American Bag Corporation at Winfield, TN (400).²⁶ None of these businesses are located on the Line or will be affected by its abandonment.

Public Use, Trail Use, Offers of Financial Assistance

TNR's preliminary title research suggests that some of the parcels of land that comprise right-of-way for the Line may be held only through easements. NSR inherited incomplete records from TNR when it acquired the former short line in 1973. NSR, for TNR, is still performing title and appraisal work on the property. If some of the property is held by easement, acquisition of the Line's right-of-way for public use after abandonment of the Line would be subject to impediments to TNR's title that would prevent acquisition of the Line for public use, at least without some condemnations.

TNR is willing to have the Board issue a notice of interim trail use or abandonment with a six-month trail use negotiation period condition, if an appropriate trail use request is made by a qualified trail sponsor.²⁷ TNR also is willing to have the Board impose a 180-day public use condition with respect to the disposition of the Line.²⁸ Typically, such conditions would not prevent removal of track and materials from

²⁶This information from Scott County's web site has no date on the page but it was obtained from the site on February 22, 2005.

²⁷The Tennessee Department of Natural Resources has expressed some interest in establishing or promoting a trail on all or part of this right-of-way.

²⁸Public use and trail use conditions do not cover or include a right to negotiation

the Line after the effective date of the Board's decision except in rare cases in which the Board has found that the track and materials should be retained for the duration of the public use condition because of a reasonable chance that passenger service, usually commuter passenger service, can be instituted over the Line. There is no chance that long distance passenger service could be established over this Line, or even be shown viable, within the foreseeable future.²⁹

Absent some change in circumstances or a reasonable, bona fide offer to buy the Line including the track and material, TNR will not agree to leave track and material in place for any specific period after the effective date of the exemption. The track and material are too valuable for scrap or alternative use to make any such commitment based on speculation.

In the absence of a bona fide offer to purchase the Line³⁰, TNR wishes to be able to salvage and reuse the track and material from the Line as soon thereafter as may be convenient. TNR requests that the Board reject any motion to stay or postpone the proceeding or the effective date of the exemption. If a concrete proposal to keep the

for acquisition of the Line for continued rail service.

²⁹Speculation over the possibility that the Line could be used by a tourist train operator would not justify depriving TNR of the use of the track and materials on the Line for the period the public use condition would remain in effect, much less provide any basis for denying the petition.

³⁰Because the possible filing for abandonment of this Line has been publicly known for a considerable period of time, especially since the Line was listed on the NSR and subsidiaries system diagram map, there can be no reason for the Board to impose a delay or postponement of the proceeding or the effective date of the exemption for any reason not permissible under and actually connected with bona fide OFA procedures.

Line in operation or to acquire it by that time cannot be made and agreed to by that time, after years of notice and negotiation,³¹ TNR should not have to incur continued substantial losses from the retention, maintenance and operation of the Line and opportunity costs from leaving dormant or underutilized assets in place. It certainly should not have to do so based on vague statements concerning wholly speculative uses or ventures that lack identifiable operators, much less financing.

Any public use condition granted in this proceeding should not extend to the track, ties, and signal equipment because there is little likelihood financing to acquire the Line would be available in an additional six months if such financing is not available by the date of the Board's decision. In fact, the alternative most likely to preserve the right-of-way for future public use and possible reinstitution of rail service is trail use, for which leaving track, ties and signal equipment in place is unnecessary.

Title Search; Land Valuation

TNR's preliminary title research suggests that although many of the parcels of land that comprise the right-of-way for the Line are owned by TNR in fee, some of the parcels may be held only through easements or possibly prescription. TNR is

³¹TNR publicly disclosed that it planned to file to abandon the Line in the newspaper ad published on February 15, 2005, in The Knoxville News-Sentinel, which is a newspaper of general circulation in the county, Scott County, TN, through which the Line runs (see Exhibit 8), as well as in the city of the corporate headquarters of NCC, the only potential shipper located on the Line. NSR also placed the TNR Line on its and its subsidiaries system diagram map that was filed with the Board, and served on the required State officials, on March 29, 2004.

continuing to investigate the exact status of the title to the right-of-way and is arranging to obtain an independent appraisal of its value. TNR will provide further title information as to all or part of the right-of-way promptly if required for the evaluation of an Offer of Financial Assistance or in response to any negotiations for an agreement to convey the right-of-way to a governmental entity for public use or trail use. TNR also plans to secure an independent appraisal of the land value of those parcels of the right-of-way that it owns in fee for possible use with respect to the sale of the Line.

Statement Concerning Federally Granted Right of Way

Based on information in TNR's possession, the Line does not contain federally granted right-of-way. Any documentation later found in TNR's possession concerning this matter will be made available promptly to those requesting it.

Environmental and Energy Impact; Historical Report

Attached are environmental and historical reports prepared and that were previously distributed to various government agencies in accordance with the Board's regulations (see Exhibit 7). The diversion to truck carriage of railroad coal traffic from Smoky Junction, TN to Turley, TN for loading for further shipment via rail has already occurred. Even if this past diversion of about 40 carloads per week of railroad traffic to motor carrier were still relevant, it would not cause a significant impact on the environment or on energy use. Any TNR salvage of the track and material on the Line will have minimal impact on the mostly rural area where the Line is located or can be

subject to reasonable conditions that will minimize any potential impact from the salvage operations.

Passenger Service

There is currently no passenger service over the Line. Clearly, TNR cannot be expected to hold possession of a Line that cannot be maintained and operated profitably and to retain on it material that could be used elsewhere on its system because of the speculative possibility that a tourist train operation could be instituted on all or part of the Line at some time in the future. TNR should not have its private property tied up and the value of its private assets diminished on the basis of speculative plans that are not likely to come to fruition in the foreseeable future.

Draft Federal Register Notice; Diskettes

A draft notice of TNR's petition for exemption in this proceeding for publication by the Board in the Federal Register and copies of the draft notice contained on three computer diskettes compatible with the Board's current word processing capabilities are attached.

Service of Petition; Newspaper Notice

TNR has given adequate notice of this petition by serving copies of it by DHL Express on National Coal Corporation, purchaser of the property of the only recent active customer on the Line, United States Coal, Inc., and by mail on the mayor of Scott

County, TN and on the appropriate state and local officials specified by the Board's regulations.

Newspaper notice concerning the filing of the petition was published on February 15, 2005, in The Knoxville News-Sentinel, which is a newspaper of general circulation in the county, Scott County, TN, through which the Line runs (see Exhibit 8), as well as in the city of the corporate headquarters of NCC, the only potential shipper located on the Line.

An Exemption for the Abandonment of the Subject Railroad Line Is Appropriate

TNR is submitting verified statements and exhibits with considerable revenue, operating, rehabilitation and cost information, including workpapers. Rather than suggesting that an application would be appropriate, TNR believes that this information clearly shows that a petition for exemption is an appropriate procedure in this case because the statements and exhibits show that the subject Line is not being used, cannot be operated profitably even if operations were to resume over it, and requires considerable rehabilitation work before operations could resume over it, at costs which cannot be recovered through any guarantee of traffic and revenue levels or other plan.

The information in this petition and the accompanying verified statements, exhibits and attachments is sufficiently clear and detailed to show beyond doubt that the abandonment of the subject Line is justified. That information has been produced in line with the Board's accounting and abandonment regulations. This submission shows that the avoidable losses and opportunity costs of TNR's continued retention, maintenance

and operation of the Line are neither questionable nor marginal. No reasonable projection of future traffic, if any, could possibly provide revenue sufficient to pay for the currently required rehabilitation of the Line. The justification for abandonment of the Line is clear and unassailable.

Only a small volume of traffic, amounting to about 40 carloads a week over a 25.3-mile, one-way, Line moved on the Line prior to National Coal's diversion of all of that traffic, which originated at Smoky Junction, TN, to truck carriage to the rail head at Turley, TN for loading in rail cars. TNR's avoidable losses and opportunity costs for the entire Line are large and will only increase. There can be no realistic prospect for any substantial increase in traffic from NCC or of any new business in the sparsely populated area traversed by the Line to cover the costs of retaining, maintaining and operating over the Line and the opportunity costs of its continued retention, maintenance and operation, much less the costs for imminently required rehabilitation work. Indeed, there has been no traffic at all on the Line for the past year and there is none at this time.

In this petition, TNR shows that maintenance and operation of the Line resulted in substantial avoidable losses in the Base Year, that no traffic is moving over the Line, that resumption of shipments over the Line at any level is speculative, and that avoidable losses will continue and greatly increase in the forecast/subsidization year under any reasonable traffic and revenue projection both in general and due to rehabilitation costs. To the extent any projected revenue attributable to the Line can be predicted for the forecast year, it would be based on National Coal's predecessor's

shipments in the Base Year increased by a GDP deflator factor. The amount thus increased would be \$1,260,258. On the other hand, the forecasted avoidable costs to produce this revenue would be \$1,474,602, resulting in a total avoidable loss from operations of \$214,344. TNR's total avoidable loss including return on value would be \$359,652 in the Forecast Year. An opportunity cost of \$237,623 based only on the net salvage value of the main track and material only between Oneida and Smoky Junction, for keeping the Line in operation also must be added to the forecasted avoidable loss attributable to the Line's retention, maintenance and operation in the Forecast Year. If operations were to resume over the Line, immediate rehabilitation and repairs would be needed to bring the Line to FRA Class I track standards and to resume operations for a 50.6-mile round trip at 10 miles per hour at a currently estimated cost of \$2,033,832.

TNR's clear justification for an exemption for the abandonment of the subject Line shows that the expense and time required for preparation of an abandonment application would be unnecessary and unjustified. Under these circumstances, the cost and delay of using the long-form procedure would increase TNR's costs of holding this Line and delay the benefits of the Line's abandonment to TNR and its and NSR's customers in general. Those customers in effect must subsidize the operation of any Line that TNR operates at a loss if it is to remain in business. An application would add little, if any, information to the record to help the Board to reach a conclusion or aid in the Board's efficient and expeditious handling of the matter or give any potential protestant a longer period of time for response.

Discussion and Authorities

Under 49 U.S.C. 10903, a railroad may not abandon or discontinue service over a rail line without the Board's prior approval. Under 49 U.S.C. 10502, however, the Board must exempt a transaction or service from regulation when it finds that: (1) continued regulation is not necessary to carry out the rail transportation policy of 49 U.S.C. 10101; and (2) either (a) the transaction or service is of limited scope, or (b) regulation is not necessary to protect shippers from the abuse of market power.³²

This petition clearly shows that TNR has met the exemption criteria for the abandonment of the subject 27.01-mile line of railroad between points near Oneida, TN and Nicks Creek, TN. The Board does not need to provide the detailed scrutiny of the proposed abandonment of the Line based on a long-form application for the Board's prior approval under 49 U.S.C. 10903 in order for the Board to carry out the rail transportation policy set forth in 49 U.S.C. 10101. By minimizing the administrative expense of the application process, the Board's approval of an exemption in this proceeding also will reduce regulatory barriers to exit in the railroad industry [49 U.S.C.

³²The statutory standard governing an abandonment of a railroad line is whether the present or future public convenience and necessity permit the proposed abandonment. 49 U.S.C. 10903(d). If the Board were applying that standard in this case, rather than approving an exemption, the Board would balance the potential harm to affected shippers and communities against the present and future burden that continued operations could impose on the railroad and on interstate commerce. *Colorado v. United States*, 271 U.S. 153 (1926). This petition clearly shows that the small burden on shippers and the community from the burden of the loss of rail service is outweighed by the burden on the railroad from continued maintenance and operation of the Line and the opportunity costs of keeping the Line in place.

10101(7)].

An important consideration in this case is that by permitting TNR to forgo operating the subject Line at a substantial loss and to apply its assets more productively elsewhere on its rail system, an exemption will promote safe and efficient rail transportation, foster sound economic conditions, and encourage efficient management [49 U.S.C. 10101(3), (5), and (9)]. Other aspects of the rail transportation policy will not be affected adversely by the grant of the exemption.

In this petition, TNR shows that it is incurring substantial avoidable losses from continuing to maintain and operate the Line. TNR has no prospect of recovering its full costs of maintaining and operating freight service on the Line from the revenues from the small volume of traffic that formerly moved over the Line, even with reasonably projected increases in traffic and reasonable rate increases on that traffic if the traffic were to resume. The petition also shows there is no realistic prospect of any significant additional traffic on the Line that would provide sufficient revenues to cover TNR's costs of maintenance and operation of the Line, much less TNR's rehabilitation and program maintenance costs and the opportunity costs of leaving the Line in place.

Regulation of the proposed transaction is not necessary to protect shippers from the abuse of market power. The Line is in a sparsely populated area over which little railroad traffic moves or can be expected to move but in which the shippers have adequate access to alternate transportation sources. National Coal Corporation, the successor to the sole former shipper located at Smokey Junction, TN, on the Line, United States Coal, Inc., has been using alternate truck-rail transportation through its

nearby facility at Turley, TN, for almost a year. Potential traffic from NCC, the current owner of the facility at Smoky Junction is the only prospective rail traffic that might move over the Line that is reasonably foreseeable, and there is no guarantee that any such traffic will move.³³ Mere speculation about future traffic is not a sound basis upon which to deny an abandonment exemption. See STB Docket No. AB-433X, *Idaho Northern & Pacific Railroad Company -- Abandonment Exemption -- In Wallowa and Union Counties, OR*, served December 13, 2001, p. 5-6; STB Docket No. AB-57 (Sub-No. 46X), *Soo Line Railroad Company -- Abandonment Exemption -- In St. Paul, Ramsey County, MN*, served April 20, 1999, p. 7; STB Docket No. AB-6 (Sub-No. 370X), *Burlington Northern Railroad Company--Abandonment Exemption--Between Mesa and Basin City, in Franklin County, WA*, served January 27, 1997, p. 4.

In this case, any reasonably projected revenue from a resumption of the shippers' traffic, even if increased by ten percent and by the GDP deflator percentage, would be clearly insufficient by a wide margin, compared to the cost of maintaining and operating the Line or to TNR's rehabilitation and opportunity costs. The revenue was insufficient during the Base Year and would be insufficient in the Forecast Year and in

³³TNR is confident that nothing can be added to the record in this proceeding that will show that TNR has discouraged the shipment of potential traffic on the line simply to facilitate its abandonment. TNR also believes that if any argument is offered forecasting a significant increase in future traffic over the Line above the ten percent increase in production that NCC achieved in its first nine months of operation at Smoky Junction compared to U. S. Coal's production during the last nine months of its operation at that location, it will be based on pure and unsupportable speculation since TNR knows of no source of new or increased business, and has no guarantee that any level of traffic from NCC, much less any new traffic, will move over the Line in the future. Any such forecasted traffic clearly would be uncertain to materialize and insufficient to justify rehabilitation and continued maintenance and operation of the Line.

the future to support TNR's costs of maintaining and operating the Line as well as the costs of reinvestment in and rehabilitation of plant and equipment to provide continuing rail service on the Line.

The record shows that TNR's continued operation of the Line would result in a total Forecast Year operating loss from operations, including return on value, of \$359,552.00, if operations over the Line were to resume at previous levels, and when the conservatively calculated opportunity costs of \$237,623.00 are factored in, TNR would experience a total loss of \$597,275.00 (not including rehabilitation costs) in the Forecast Year. Rehabilitation costs in the Forecast/Subsidization Year would be an additional \$2,033,832.00. These costs have been carefully and conservatively calculated based on inspections of the Line and reasonable traffic projections and in accordance with the Board's accounting and costing regulations. TNR knows of nothing that can be added to the record to refute the presentation in this petition or to prove that the Line can be retained, rehabilitated, maintained and operated at break even levels, much less profitably, in the future. Thus, the Board should conclude that TNR will suffer continuing and expanding losses from the maintenance and operation of the Line if an exemption for the proposed abandonment of the Line is denied.

Shippers cannot expect the railroad to subsidize their business operations.³⁴

³⁴Any local governmental concern about the effect of an abandonment upon the potential customer at Smoky Junction, NCC, while understandable, does not outweigh the demonstrated harm to TNR which would result from continued retention and the rehabilitation, maintenance and operation of this uneconomical Line. Moreover, as we have noted, that customer has and is using transportation alternatives. Other more remote or speculative concerns provide no basis for denying the petition.

CSX Transp., Inc. v. Surface Transp. Bd, 96 F.3d 1528 (D.C. Cir. 1996). That is in effect what would be asked if NCC were to oppose abandonment of the Line and resumption of service at any rate level that would move traffic or to press for sale of it at less than the constitutional minimum value of net liquidation cost. Such cross-subsidization of NCC's business would not be fair to the railroad's other customers, who ultimately would have to pay increased rates to cover TNR's losses for continued operation of the Line. See STB Docket No. AB-33 (Sub-No. 113), *Union Pacific Railroad Company -- Discontinuance of Trackage Rights and Abandonment -- In Natrona and Converse Counties, WY*, served November 12, 1997, p. 31. For the same reasons, neither speculation about future traffic nor more blatant efforts to require a line to be cross-subsidized justify tying up railroad assets that could be used more productively elsewhere. STB Docket No. AB-167 (Sub-No. 1176X), *Consolidated Rail Corporation -- Abandonment Exemption -- in Wicomico County, MD*, served February 19, 1997.

Moreover, NCC, the potentially affected shipper, has adequate transportation alternatives via transload and straight motor carrier service that it has in fact been using exclusively for almost a year.

TNR is serving a copy of its petition on National Coal Corporation, the purchaser of the property of the only previously active shipper on the Line, U. S. Coal, at Smoky Junction, TN, and thus is providing that company an opportunity to become a party to this proceeding, place its name on the service list or to monitor the outcome of the proceeding on the Board's web site. Nonetheless, should the Board so order, TNR will

serve a copy of the Board's decision on this potential customer and certify to the Board that a copy of the decision has been sent.

The Board cannot, under the law, require a carrier to continue operating a line at a substantial loss and with no concrete prospects for any future traffic, much less any prospects for additional future traffic above current production levels from the only shipper on the Line, which in fact has a number of incentives to use alternate transportation to and via another one of its own facilities. STB Docket No. AB-564, *Camas Prairie Railnet, Inc. - Abandonment - In Lewis, Nez Perce, and Idaho Counties, ID (Between Spalding and Grangeville, ID)*, served September 13, 2000.

A mechanism is provided in 49 U.S.C. 10904 for those who want to continue rail service that the Board has authorized to be discontinued or abandoned. Under section 10904, any financially responsible person (and all government agencies are deemed to be financially responsible) may file an offer of financial assistance (OFA), provided they do so within the OFA requirements, procedures and time limits contained in 49 U.S.C. 10904 and 49 CFR 1152.27.

Given that TNR has shown that the Board can make the required finding regarding market power to support an exemption for the abandonment of the subject Line, it is not necessary to determine whether the proposed transaction is limited in scope. However, it is quite clear from both the facts set forth in this petition and numerous decisions by the Board granting exemptions for the abandonment of longer lines, lines over which more traffic had been moving, and lines where the avoidable loss or avoidable loss per mile of operating and maintaining a line or the rehabilitation costs

for keeping a line in operation were not as great as they are for this Line, that the proposed abandonment transaction is limited in scope. The proposed abandonment involves only 27.01 miles of unused, and previously lightly used, line of railroad in a sparsely populated area where any potential freight customers have adequate access to alternate transportation sources. The successor to the only recent shipper to use rail service over the Line has been trucking its coal to its own facility on another NSR line at Turley, TN for loading and delivery to more distant locations. On the other hand, the rehabilitation costs required to resume service over the Line and the avoidable losses and opportunity costs to the railroad of continuing to retain, and to maintain and operate the Line, or even to hold track and material in place, are, or would be, substantial, unrecoverable and unjustified.

Employee Protection

Since under 49 U.S.C. 10502(g), the Board may not use its exemption authority to relieve a carrier of its statutory obligation to protect the interests of its employees, TNR is willing, as a condition to the Board granting this exemption, for the Board to order that the employee protective conditions set forth in *Oregon Short Line R. Co. -- Abandonment -- Goshen*, 360 I.C.C. 91 (1979), apply to this abandonment transaction.

Environmental and Historic Reports

TNR has submitted an environmental report with its petition and has notified the appropriate Federal, state, and local agencies of the opportunity to submit information

concerning the energy and environmental impacts of the proposed action. See 49 CFR 1105.11. TNR expects the Board's Section of Environmental Analysis (SEA) to examine the environmental report, verify the data it contains, analyze the probable effects of the proposed action on the quality of the human environment, serve an environmental assessment and request comments. TNR anticipates that the Board will receive no substantive comments on the merits in response to the environmental assessment that would suggest imposition of any environmental conditions on TNR's actions with respect to the Line upon its abandonment, especially salvage activities, except as may be routine or usual in this type of case.

The environmental and historic reports show, and TNR believes SEA will find, that the proposed abandonment of freight service on the Line will not significantly affect the quality of the human environment or the conservation of energy resources or historic resources and that no environmental or historic preservation conditions are required.

The historic report identifies the Line as part of a longer line that was also the subject of a notice of exemption for abandonment in STB Docket No. AB-290 (Sub-No. 259X), *Tennessee Railway Company -- Abandonment Exemption -- In Anderson and Campbell Counties, TN* (STB Notice of Exemption served January 19, 2005).

CONCLUSION

Therefore, Tennessee Railway Company, a wholly-owned subsidiary of Norfolk Southern Railway Company, respectfully petitions the Board under 49 U.S.C. 10502, to exempt the abandonment of approximately 27.01 miles of TNR's railroad line between Milepost TE-0.95 near Oneida, TN and Milepost TE-27.96 near Nicks Creek, TN, from the prior approval requirements of 49 U.S.C. 10903.

Respectfully submitted

TENNESSEE RAILWAY COMPANY

BY 
David A. Brown
Vice President - Strategic Planning

Dated: February 25, 2005

Of Counsel:

James R. Paschall
General Attorney
Norfolk Southern Railway Company
Three Commercial Place
Norfolk, Virginia 23510-2191

(757) 629-2759

Attorney for Tennessee Railway Company,
a wholly-owned subsidiary of Norfolk Southern Railway Company

Commonwealth of Virginia)
) ss
City of Norfolk)

David A. Brown makes oath and says that he is Vice President-Strategic Planning of Norfolk Southern Railway Company, parent company of its wholly-owned subsidiary, Tennessee Railway Company, the petitioner herein; that he has been authorized by the petitioner to verify and file with the Surface Transportation Board the foregoing petition in STB Docket No. AB-290 (Sub-No. 260X); that he has carefully examined all of the statements in the petition as well as the exhibits attached hereto and made a part hereof; that he has knowledge of the facts and matters relied upon in the petition; that he has obtained knowledge of certain facts from, and has relied in part upon, the verified statements of other NSR representatives that accompany this petition; and that all representations set forth in the petition and exhibits are true and correct to the best of his knowledge, information, and belief.

David A. Brown

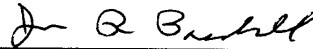
Subscribed and sworn to before me, a notary public
in and for the State and City above named, this
25th day of February, 2005.

Doona J. Salani
Notary Public

My commission expires: My Commission Expires April 30, 2007

CERTIFICATE OF SERVICE

I certify that the foregoing petition in STB Docket No. AB-290 (Sub-No. 260X) has been served on Mr. Charles S. Kite, General Counsel, National Coal Corporation, 8915 Georgia Williams Road, Knoxville, TN 37923; Honorable Dwight Murphy, County Mayor, Scott County, P. O. Box 69, County Courthouse, Huntsville, TN 27756-0069; Mr. Pat Miller, Chairman, Tennessee Regulatory Authority, 460 James Robertson Parkway, Nashville TN, 37243-0505; Mr. John Fisher, Transportation Manager II, Tennessee Department of Transportation, Office of Rail & Water Transportation, Suite 1800 James K. Polk Bldg., Nashville, TN 37243; the United States Department of Defense, Military Traffic Management Command (MTMC/TEA), Transportation Engineering Agency, Railroads for National Defense Program, 720 Thimble Shoals Blvd., Suite 130, Newport News, VA 23606-2574; Mr. Tom Ross, Chief of National Recreation and Trails, U. S. Department of the Interior - National Park Service, Recreation Resources Assistance Division, P.O. Box 37127, Washington, D.C., 20013-7127; and U. S. Department of Agriculture, Chief of the Forest Service, 4th Floor N.W., Auditors' Building, 14th Street and Independence Avenue, S.W., Washington, D.C. 20250 on February 25, 2005. Mr. Kite's copy is being served by DHL Express and the other copies of the petition are being served by first class mail, postage prepaid.



James R. Paschall

Dated: February 25, 2005

Federal Register: _____, 2005 (Volume 70, Number ____)]
[Notices]
[Page ____]

DEPARTMENT OF TRANSPORTATION

Surface Transportation Board
[STB Docket No. AB-290 (Sub-No. 260X)]

Tennessee Railway Company - Abandonment Exemption - in Scott County, Tennessee

On February 28, 2005, Tennessee Railway Company (TNR), a wholly-owned subsidiary of Norfolk Southern Railway Company (NSR) filed with the Surface Transportation Board (Board) a petition under 49 U.S.C. 10502 for exemption from the provisions of 49 U.S.C. 10903, to abandon an approximately 27.01-mile line of railroad, extending between Milepost TE-0.95 near Oneida, TN and Milepost TE-27.96 near Nicks Creek, TN (the Line) in Scott County, Tennessee. The Line traverses United States Postal Service Zip codes 37756 and 37841 and includes the stations of Stanley, Newtown, Winona, Norma, Laco, and Smoky Junction, TN. Service will continue to the station of Oneida, TN.

The Line does not contain federally granted rights-of-way. Any documentation in TNR's possession will be made available promptly to those requesting it.

The interest of railroad employees will be protected by the conditions set forth in *Oregon Short Line R. Co.--Abandonment--Goshen*, 360 I.C.C. 91 (1979).

By issuance of this notice, the Board is instituting an exemption proceeding pursuant to 49 U.S.C. 10502(b). A final decision will be issued by _____, 2005. Any offer of financial assistance (OFA) under 49 CFR 1152.27(b)(2) will be due no later

than 10 days after service of a decision granting the petition for exemption. Each offer must be accompanied by a \$1,200.00 filing fee. See 49 CFR 1002.2(f)(25).

Any request for a public use condition under 49 CFR 1152.28 or for trail use/rail banking under 49 CFR 1152.29 will be due no later than _____, 2005. Each trail use request must be accompanied by a \$200.00 filing fee. See 49 CFR 1002.2(f)(27).

All filings in response to this notice must refer to STB Docket No. AB-290 (Sub-No. 260X) and must be sent to: (1) Surface Transportation Board, Office of the Secretary, Case Control Unit, 1925 K Street, N.W., Washington, DC 20423-0001, and (2) James R. Paschall, Norfolk Southern Railway Company, Three Commercial Place, Norfolk, VA 23510.

Replies to the TNR petition are due on or before _____, 2005.

Persons seeking further information concerning abandonment procedures may contact the Board's Office of Public Services at (202) 565-1592 or refer to the full abandonment or discontinuance regulations at 49 CFR part 1152. Questions concerning environmental issues may be directed to the Board's Section of Environmental Analysis (SEA) at (202) 565-1545. [TDD for the hearing impaired is available at 1-800-877-8339.]

An environmental assessment (EA) (or environmental impact statement (EIS), if necessary) prepared by SEA will be served upon all parties of record and upon any agencies or other persons who commented during its preparation. Other interested persons may contact SEA to obtain a copy of the EA (or EIS). EAs in these abandonment proceedings normally will be made available within 60 days of the filing of

the petition. The deadline for submission of comments on the EA will generally be within 30 days of its service.

Board decisions and notices are available on our website at www.stb.dot.gov

Decided: _____, 2005.

By the Board, David M. Konschnik, Director, Office of Proceedings.

Vernon A. Williams,

Secretary.

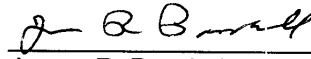
[FR Doc. _____ Filed _____]

BILLING CODE _____

CERTIFICATION

SERVICE OF ENVIRONMENTAL AND HISTORIC REPORTS NEWSPAPER NOTICE - 49 C.F.R. §1152.50(d)(1)

I hereby certify (1), pursuant to 49 C.F.R. §1105.11, that Environmental and Historic Reports related to the Petition for Exemption in Docket No. AB-290 (Sub-No. 260X), Tennessee Railway Company - Petition for Exemption - Abandonment Between Oneida, TN and Nicks Creek, TN - In Scott County Tennessee were submitted to the agencies identified in 49 C.F.R. §1105.7(b) and to the Tennessee State Historic Preservation Officer (see Exhibit 7); and (2) that the newspaper notice required by 49 C.F.R. §1152.50(d)(1) was given through publication on February 15, 2005, in The Knoxville News-Sentinel, which is a newspaper of general circulation in the county, Scott County, TN, through which the Line runs (see Exhibit 8), as well as in the city of the corporate headquarters of NCC, the only potential shipper located on the Line.


James R. Paschall

Dated: February 25, 2005

VERIFIED STATEMENT
OF
STEPHEN H. MORRELL

My name is Stephen H. Morrell. I am employed by Norfolk Southern Corporation (NS) in the capacity of Director Engineering Cost and Systems. My office is in Atlanta, Georgia. I have been employed by NS or an NS subsidiary since 1979 and have occupied my present position since October 1993. I previously occupied the positions of Senior Cost Analyst, Manager Planning and Special Projects and System Manager Costs. I have a BA in Economics from Tufts University and an M&A in Finance from Northeastern University. Since October 2003, I have been responsible for the preparation of engineering cost estimates for abandonment applications filed by NS' railroad subsidiaries.

I prepared the engineering maintenance and rehabilitation cost estimates used in the financial exhibits to the Petition for Exemption of the abandonment of Tennessee Railway Company's line between MP TE 0.95 at Oneida, TN and MP TE 27.96 at Nicks Creek, TN and I am sponsoring those figures. The portion of this line between MP TE 26.25 and MP TE 27.96 has been dormant for many years; therefore, the cost figures I prepared only pertain to the segment of the line between MP TE 0.95 and MP TE 26.25, a distance of 25.3 miles, and any subsequent references to the line in this statement pertain only to that segment.

The line has been out of service since the customer located at MP TE 26.25 ceased loading coal in March 2004, and substantial rehabilitation of the line would be required before it could again be operated safely. In order to assess the condition of the line and accurately estimate the magnitude of the rehabilitation required, I participated in an inspection of the entire line by Hy-Rail vehicle on August 10, 2004. I was accompanied in the inspection party by G. E. Carlyle, Track Supervisor. Mr. Carlyle is responsible for the routine maintenance of this segment plus others on the Central Division. In addition to the visual inspection of the roadway along the entire line from the Hy-Rail vehicle, detailed walking inspections of the roadway were made at various points along the line. Bridge supervisors conduct detailed bridge inspections at scheduled times over the bridges on the line. Appendix 1 lists the bridges on the line, and Appendix 2 contains bridge inspection reports for the bridges on the line requiring maintenance within the next ten years.

The line was laid with 132# continuously welded standard rail in 1979 and was last timbered and surfaced¹ in 1989. Due to the mountainous terrain, accessibility is restricted for maintenance activities. Maintaining cross level and alignment is another concern due to the extreme temperature changes which during cold weather draw the curves inward and then during warmer temperatures push the curves back outward

¹ *Timbering* refers to the replacement of defective crossties; *surfacing* refers to restoration of the track's cross level and vertical alignment.

never maintaining consistent alignment and elevations. Due to mountains on one side of the railroad and the river on the opposite side, drainage is extremely difficult to maintain due to various mud and rock slides, slips, slumps, and culvert blockages.

The terrain on which the line is constructed is very rugged, and thus the grades on the line are steep and the curvature of the line is significant. The segment contains 124 curves ranging in curvature from 1.6 degrees to 18.0 degrees. Grade issues include a 1.92 percent ascending mountain range in the first two miles and then a descent down a 3.56 percent grade for the next two miles. In addition, the line has been used for movement upgrade of heavy coal trains. These factors combine to amplify the deleterious effects on the track structure of traffic moving across the line and accordingly raise the cost of maintaining this line above the levels which would be expected on the average NS branch line.

I will discuss below two separate estimates of engineering costs: First, the cost of the immediate rehabilitation of the line which, in our opinion, would be required to reopen it to operation; and second, the average annual cost of normalized maintenance required thereafter. Both of these cost estimates relate to the restoration and maintenance of the line to Federal Railroad Administration (FRA) Class I track safety standards set forth in 49 CFR Part 213, which would permit operation of the line at track speeds not greater than ten miles per hour.

The costs, production rates and other parameters embodied in these estimates were developed from company records maintained in the normal course of conducting business. Rehabilitation costs discussed below were calculated in accordance with 49 CFR § 1152.32(m)(1)(i).

Rehabilitation

Rehabilitation of the line consists of the following elements and is estimated to cost \$2,033,832. A detailed itemization is provided in Appendix 3.

- Timber and surface 25.3 miles of main track plus 1.9 miles of yard tracks and sidings, using 900 new Grade 5 crossties and 700 tons of ballast per mile. This is still within the FRA Class I standard which requires 5 to 7 good ties every 39 feet. The poor tie condition resulting from the fact that it has been 15 years since the last T&S work plus the severe curvature and grade on this segment requires rehabilitation to the upper limit for Class I track. This work will be done by a production system gang using efficient track equipment. NS practice is to have a single mechanized gang perform both timbering and surfacing.
- Install 0.30 track miles of relay curve rail between MP TE 1.0 and MP TE 3.0. Norfolk Southern's standard for rail wear on this level of track is 12/16" on the face of the rail. The FRA has no rail wear standard. The rail in many locations on this two

mile segment exceeds 12/16" wear and also requires replacement due to shells², wear and corrugation.

- Replace 11 track lubricators. Track lubricators are a cost-effective method of reducing rail wear where significant curvature exists. The age and condition of the track lubricators on this line prevent them from being repaired due to a lack of replacement parts and thus they should be replaced.
- Replace 2 #10 turnouts at MP TE 25.9 and TE 26.25 and remove 5 turnouts at MP TE 8.7, TE 8.8, TE 12.9, TE 23.8 and TE 24.3. The turnouts that require replacement are located at the former US Coal facility. These switches require tie, rail and OTM³ replacement. The unused turnouts are being removed to eliminate the associated maintenance expense.
- Bank stabilization is a concern over most of the entire segment. The track was cut into the side of hill which has a severe grade above and below the track. The bank below the track falls into the river in many locations which causes rainwater runoff to seek the path of least resistance. With any amount of rain, the soil becomes saturated and loses its stability. Minor washouts, scour and slumps have occurred at various locations on this line and continue to be a maintenance priority and cost. At milepost TE 25.4, a portion of the bank supporting a county road has slipped and material is currently falling and covering the railroad at this location. Major work to stabilize this fill is required. Bank stabilization will also be required at MP TE 10.5, TE 16.2 and TE 18.5.
- Perform brush control and ditching. At present, the brush and vegetation will require cutting along with herbicide application prior to beginning train operation. Ditching will be required to support bank stabilization and open water carrying facilities adjacent to the roadbed to accommodate expected water flow for the concerned areas as detailed in the preceding paragraph.
- Renew tie deck on the bridge located at MP TE 9.1, which is of open deck construction. The bridge decks at MP TE 3.5, TE 3.6 and TE 4.1 are of marginal quality. It is thought that renewal of these can be delayed maybe a year.
- Repair steel on the 128 foot through truss bridge at MP TE 9.4. The repair work required at MP TE 9.4 is shown on the inspection report as broken floor beam connection angles.

Normalized Maintenance

The Normalized maintenance projection for the line is Attachment 5 to the Petition. Maintenance tasks itemized in the Projection are divided into two categories: Routine work and Program work. Program work typically involves more significant

² A progressive horizontal separation typically appearing on the corner of the gauge side of the rail.

³ Other track materials, such as tie plates and rail anchors.

projects which provide a multi-year benefit, while routine work is smaller in scale and shorter in the duration of benefits. It encompasses day-to-day maintenance and periodic inspections of roadway, bridges and signals. The total estimated cost of all items over a ten year horizon is averaged to calculate an annual normalized cost.

Routine Work

Routine work includes weekly inspection of the line in accordance with FRA regulations, general track repairs, such as gauging, spot surfacing, sinkhole repair, periodic testing of the rail to detect internal defects, and vegetation control to prevent fouling of ballast. Various routine bridge repairs are also required, as are periodic testing and maintenance of the crossing signals at the public crossings at MP TE 4.5 and TE 9.1 as required by FRA regulations.

Program Work

Following rehabilitation of the line, a normal cycle for timbering and surfacing this line is 8 years, and thus timbering and surfacing is projected for year 9. Because of the terrain issues previously discussed, 12.7 miles of intermediate surfacing is also projected for year 5. The intermediate surfacing cycle is required to maintain the proper track geometry quality without any crosstie replacement. Brush cutting will be scheduled on a three year cycle, while ditching will be required annually.

Various bridges and culverts on the line will require renewal during the projection period; these costs are summarized in Appendix 3. Major bridge renewal projects are as follows:

<u>Year</u>	<u>Milepost</u>	<u>Repair</u>	<u>Cost</u>	<u>Reason</u>
2006	TE 13.0	Replace truss	\$749,000	Very light design, numerous weld repairs South abutment has serious spalls ⁴
	TE 3.5	Masonry repair	25,000	
	TE 3.5	Tie deck replacement	5,300	
	TE 3.6	Tie deck replacement	3,500	
	TE 4.1	Tie deck replacement	3,500	
2007	TE 14.5	Replace truss	505,000	Very light design, numerous weld repairs
2008	TE 22.1	Steel repair	25,000	Bracing falling out
2010	TE 7.4	Masonry repair	25,000	Pier top broken and crushing
2012	TE 18.9	Masonry repair	25,000	Concrete spalling ⁴ , bearing area breaking down
2014	TE 8.2	Masonry repair	25,000	Pier top broken and crushing

⁴ Chipping or flaking of masonry.

Verification

I, Stephen H. Morrell, verify under penalty of perjury that I am Director Engineering Cost and Systems of Norfolk Southern Corporation, that I have read the foregoing document and know its contents, and that the same is true and correct to the best of my knowledge and belief.

Executed on February 10, 2005



Stephen H. Morrell

**Tennessee Railway Company
Oneida – Nicks Creek, TN
TE 0.95 – TE 26.25**

List of Bridges

Milepost	Spans	Bridge Type	Deck Construction	Length in Feet	Year Constructed	Name of Crossing
3.50	1	Through Plate Girder	Open	24	1936	Poplar Tree Branch
3.60	1	Timber Trestle	Open	13		Walt Yancey
4.10	1	Timber Trestle	Open	12	1920	
7.40	1	Deck Plate Girder	Open	49	1932	Crosses Creek
8.20	1	Deck Plate Girder	Open	34	1940	Little Laurel
8.60	1	Through Truss	Open	105	1903	Long Laurel
9.10	1	Deck Plate Girder	Open	50	1907	
9.40	1	Through Truss	Open	128		Mud Cut
9.80	2	Deck Plate Girder	Open	127		
10.10	2	Deck Plate Girder	Open	172		
13.00	1	Through Truss	Open	137	1899	Buffalo Creek
14.50	1	Through Truss	Open	128	1899	
19.10	1	Deck Plate Girder	Open	79		Mill Branch
20.40	1	Deck Plate Girder	Open	60	1904	
22.10	2	Deck Plate Girder	Open	133	1905	Montgomery Fork
25.90	1	Through Truss	Open	105	1901	Shoal Creek

**Tennessee Railway Company
Oneida – Nicks Creek, TN**

Appendix 2

Bridge Inspection Reports

NORFOLK SOUTHERN CORPORATION BRIDGES AND STRUCTURES DEPARTMENT BRIDGE INSPECTION REPORT

FORM 11944 (4/95)
(Item 337664)

Inspector: W R SEAY
Date: 7-3-03

Inspector: _____
Date: _____

Inspector: _____
Date: _____

Inspector: _____
Date: _____

District: CENTRAL District: CNO TP
Bridge No: TE 3.5 Location: STANLEY, TX Length: 24'
Kind of Bridge: TPG No. of Spans: 1 Height: 8'

	ITEMS	S	U	COMMENTS
FOUNDATIONS	Abutments/Piers/Bents/Towers	✓		SPALL ON SOUTH ABUT
	Backwalls	✓		
	Wingwalls	✓		
	Embankment & Riprap Protection	✓		
	Bridge Seats & Bearing Areas	✓		
	Pedastals/Grillages/Blocking	✓		
GIRDERS & TRUSSES	Bearings/Bearing Stiffeners/Anchor Bolts	✓		
	Concrete Slab Spans/Arch Spans			
	Lower Flanges or Chords	✓		
	Upper Flanges or Chords	✓		
	Web or Main Diagonals	✓		
	Counters			
	Truss Hangers & Posts			
	Pins & Rivets	✓		
	Top Laterals			
	Bottom Laterals			
FLOOR SYSTEM	Sway Frames/Knee Braces	✓		
	Portal Bracing			
	Bridge Ties & Guard Timbers	✓		TIES WEAK GAGE - 5/8" x 6"
	Bridge Tie Anchors	✓		GAGE RODS & DRIVE SCREWS INSTALLED
	Walkway & Handrailing			
TRESTLES	Inner Guard Rail			
	Ballast Trough & Ballast Section/Depth of Ballast			
	Stringers & Stringer Connections/Bracing	✓		
	Floorbeam & Floorbeam Connections	✓		
	Bulkheads			
OTHER	Stringers			
	Caps			
	Piles & Posts			
	Sills			
	Blocking			
GENERAL	Bracing			
	Paint/Date Painted	✓		
	Vegetation Control	✓		
	Bridge Opening/Drift Condition	✓		
	Waterway Channel(s) & Flowline	✓		
	Cleanliness			
	Encumbrances (Ex. Utilities)			
	Bridge Signs & Markers	✓		
	Track Alignment	✓		
	Track Surface at Ends & Across Structure	✓		
	Track Anchorage	✓		
	Track Expansion Joints			
	Vibrations or Deflections (If Observed Under Load)			

Overall Bridge Condition 3

63

1 = Needs Immediate Attention
2 = Needs Attention Within 12 Months
3 = No Attention Required

NOTE: If span condition is "1" or "2" enter the number in the upper right hand corner
"S" = Satisfactory "U" = Unsatisfactory If Unsatisfactory indicate reason in comment Section



NORFOLK SOUTHERN CORPORATION
BRIDGES AND STRUCTURES DEPARTMENT
BRIDGE INSPECTION REPORT

FORM 11944 (4/95)
(Item 337664)

Inspector: W R SEAY
Date: 7-3-03

Inspector: _____
Date: _____

Inspector: _____
Date: _____

Inspector: _____
Date: _____

On: CENTRAL District: CNOTP
Bridge No: TE 3.6 (1974) Location: STANLEY, TX Length: 13'
Kind of Bridge: SB-OD No. of Spans: 1 Height: 4'

ITEMS		S	U	COMMENTS
FOUNDATIONS	Abutments/Piers/Bents/Towers	✓		
	Backwalls	✓		
	Wingwalls	✓		
	Embankment & Riprap Protection	✓		
	Bridge Seats & Bearing Areas	✓		
	Pedastals/Grillages/Blocking			
	Bearings/Bearing Stiffeners/Anchor Bolts			
GIRDERS & TRUSSES	Concrete Slab Spans/Arch Spans			
	Lower Flanges or Chords			
	Upper Flanges or Chords			
	Web or Main Diagonals			
	Counters			
	Truss Hangers & Posts			
	Pins & Rivets			
	Top Laterals			
	Bottom Laterals			
	Sway Frames/Knee Braces			
FLOOR SYSTEM	Portal Bracing			
	Bridge Ties & Guard Timbers	✓		(1974)
	Bridge Tie Anchors	✓		
	Walkway & Handrailing			
	Inner Guard Rail			
	Ballast Trough & Ballast Section/Depth of Ballast			
TRESTLES	Stringers & Stringer Connections/Bracing			
	Floorbeam & Floorbeam Connections			
	Bulkheads	✓		
	Stringers	✓		
	Caps	✓		
	Piles & Posts			
	Sills	✓		
OTHER	Blocking	✓		
	Bracing			
	Paint/Date Painted	✓		
	Vegetation Control	✓		
	Bridge Opening/Drift Condition	✓		
	Waterway Channel(s) & Flowline	✓		
GENERAL	Cleanliness			
	Encumbrances (Ex. Utilities)			
	Bridge Signs & Markers	✓		
	Track Alignment	✓		
	Track Surface at Ends & Across Structure	✓		
	Track Anchorage	✓		
	Track Expansion Joints			
	Vibrations or Deflections (If Observed Under Load)			

Overall Bridge Condition 3

64

1 = Needs Immediate Attention
2 = Needs Attention Within 12 Months
3 = No Attention Required

NOTE: If span condition is "1" or "2" enter the number in the upper right hand corner

"S" = Satisfactory

"U" = Unsatisfactory

If Unsatisfactory indicate reason in comment Section



NORFOLK SOUTHERN CORPORATION
BRIDGES AND STRUCTURES DEPARTMENT
BRIDGE INSPECTION REPORT

FORM 11944 (4/95)
(Item 337664)

Inspector: W R SEAY Inspector: _____ Inspector: _____ Inspector: _____
Date: 7-3-03 Date: _____ Date: _____ Date: _____
Dist: CENTRAL District: CNO TP
Bridge No: TE 4.1 Location: STANLEY, TX Length: 12'
Kind of Bridge: SB-OD No. of Spans: 1 Height: 3'

	ITEMS	S	U	COMMENTS
FOUNDATIONS	Abutments/Piers/Bents/Towers	✓		
	Backwalls	✓		
	Wingwalls	✓		
	Embankment & Riprap Protection	✓		
	Bridge Seats & Bearing Areas	✓		
	Pedastals/Grillages/Blocking			
GIRDERS & TRUSSES	Bearings/Bearing Stiffeners/Anchor Bolts			
	Concrete Slab Spans/Arch Spans			
	Lower Flanges or Chords			
	Upper Flanges or Chords			
	Web or Main Diagonals			
	Counters			
	Truss Hangers & Posts			
	Pins & Rivets			
	Top Laterals			
	Bottom Laterals			
	Sway Frames/Knee Braces			
	Portal Bracing			
	Bridge Ties & Guard Timbers (<u>Older than 1974</u>)	✓		
	Bridge Tie Anchors	✓		
FLOOR SYSTEM	Walkway & Handrailing			
	Inner Guard Rail			
	Ballast Trough & Ballast Section/Depth of Ballast			
	Stringers & Stringer Connections/Bracing			
TRESTLES	Floorbeam & Floorbeam Connections			
	Bulkheads	✓		
	Stringers	✓		
	Caps	✓		
	Piles & Posts	✓		
	Sills	✓		
OTHER	Blocking	✓		
	Bracing			
	Paint/Date Painted			
	Vegetation Control	✓		
	Bridge Opening/Drift Condition	✓		
GENERAL	Waterway Channel(s) & Flowline	✓		
	Cleanliness	✓		
	Encumbrances (Ex. Utilities)			
	Bridge Signs & Markers	✓		
	Track Alignment	✓		
	Track Surface at Ends & Across Structure	✓		
	Track Anchorage	✓		
	Track Expansion Joints			
	Vibrations or Deflections (If Observed Under Load)			

Overall Bridge Condition 3

65

1 = Needs Immediate Attention
2 = Needs Attention Within 12 Months
3 = No Attention Required

NOTE: If span condition is "1" or "2" enter the number in the upper right hand corner

"S" = Satisfactory

"U" = Unsatisfactory

If Unsatisfactory indicate reason in comment Section

NORFOLK SOUTHERN CORPORATION BRIDGES AND STRUCTURES DEPARTMENT BRIDGE INSPECTION REPORT

 FORM 11944 (4/95)
 (Item 337664)

 Inspector: W R SEAY
 Date: 7-3-03

 Inspector: _____
 Date: _____

 Inspector: _____
 Date: _____

 Inspector: _____
 Date: _____

 District: CENTRAL

 District: CNOTP

 Bridge No: TE 7.4

 Location: Newtown, TX

 Length: 49'

 Kind of Bridge: DPG-OD

 No. of Spans: 1

 Height: 49'

	ITEMS	S	U	COMMENTS
FOUNDATIONS	Abutments/Piers/Bents/Towers	✓		
	Backwalls	✓		
	Wingwalls	✓		
	Embankment & Riprap Protection	✓		
	Bridge Seats & Bearing Areas		X	S.E. BRG crushing
	Pedastals/Grillages/Blocking			
	Bearings/Bearing Stiffeners/Anchor Bolts		X	
GIRDERS & TRUSSES	Concrete Slab Spans/Arch Spans			
	Lower Flanges or Chords	✓		
	Upper Flanges or Chords	✓		
	Web or Main Diagonals	✓		
	Counters			
	Truss Hangers & Posts			
	Pins & Rivets	✓		
	Top Laterals	✓		
	Bottom Laterals	✓		
	Sway Frames/Knee Braces	✓		
FLOOR SYSTE	Portal Bracing			
	Bridge Ties & Guard Timbers	✓		
	Bridge Tie Anchors	✓		
	Walkway & Handrailing			
	Inner Guard Rail			
TRESTLES	Ballast Trough & Ballast Section/Depth of Ballast			
	Stringers & Stringer Connections/Bracing			
	Floorbeam & Floorbeam Connections			
	Bulkheads			
	Stringers			
OTHER	Caps			
	Piles & Posts			
	Sills			
	Blocking			
	Bracing			
GENERAL	Paint/Date Painted	✓		
	Vegetation Control	✓		
	Bridge Opening/Drift Condition	✓		
	Waterway Channel(s) & Flowline	✓		
	Cleanliness		X	Shovel Abuts
	Encumbrances (Ex. Utilities)			
	Bridge Signs & Markers	✓		
	Track Alignment	✓		
	Track Surface at Ends & Across Structure	✓		
	Track Anchorage	✓		
	Track Expansion Joints			
	Vibrations or Deflections (If Observed Under Load)			

 Overall Bridge Condition 3

1 = Needs Immediate Attention

2 = Needs Attention Within 12 Months

3 = No Attention Required

66

NOTE: If span condition is "1" or "2" enter the number in the upper right hand corner

"S" = Satisfactory

"U" = Unsatisfactory

If Unsatisfactory indicate reason in comment Section



NORFOLK SOUTHERN CORPORATION
BRIDGES AND STRUCTURES DEPARTMENT
BRIDGE INSPECTION REPORT

FORM 11944 (4/95)
(Item 337664)

Inspector: W R SEAY Inspector: _____ Inspector: _____ Inspector: _____
Date: 7-3-03 Date: _____ Date: _____ Date: _____

On: CENTRAL District: CNO TP

Bridge No: TE 8.2 Location: NEWTOWN, TN Length: 34'

Kind of Bridge: SB-OD No. of Spans: 1 Height: 10'

	ITEMS	S	U	COMMENTS
FOUNDATIONS	Abutments/Piers/Bents/Towers	/		
	Backwalls	/		
	Wingwalls	/		
	Embankment & Riprap Protection	/		
	Bridge Seats & Bearing Areas	/		
	Pedastals/Grillages/Blocking	/		
GIRDERS & TRUSSES	Bearings/Bearing Stiffeners/Anchor Bolts	/		
	Concrete Slab Spans/Arch Spans	/		
	Lower Flanges or Chords	/		
	Upper Flanges or Chords	/		
	Web or Main Diagonals	/		
	Counters	/		
	Truss Hangers & Posts	/		
	Pins & Rivets	/		
	Top Laterals	/		
	Bottom Laterals	/		
	Sway Frames/Knee Braces	/		
	Portal Bracing	/		
	Bridge Ties & Guard Timbers	/		
	Bridge Tie Anchors	/		
FLOOR SYSTEM	Walkway & Handrailing	/		
	Inner Guard Rail	/		
	Ballast Trough & Ballast Section/Depth of Ballast	/		
	Stringers & Stringer Connections/Bracing	/		
TRESTLES	Floorbeam & Floorbeam Connections	/		
	Bulkheads	/		
	Stringers	/		
	Caps	/		
	Piles & Posts	/		
	Sills	/		
OTHER	Blocking	/		
	Bracing	/		
	Paint/Date Painted	/		
	Vegetation Control	/		
	Bridge Opening/Drift Condition	/		
	Waterway Channel(s) & Flowline	/		
GENERAL	Cleanliness	/		
	Encumbrances (Ex. Utilities)	/		
	Bridge Signs & Markers	/		
	Track Alignment	/		
	Track Surface at Ends & Across Structure	/		
	Track Anchorage	/		
	Track Expansion Joints	/		
	Vibrations or Deflections (If Observed Under Load)	/		

Overall Bridge Condition 3

67

1 = Needs Immediate Attention
2 = Needs Attention Within 12 Months
3 = No Attention Required

NOTE: If span condition is "1" or "2" enter the number in the upper right hand corner

"S" = Satisfactory

"U" = Unsatisfactory

If Unsatisfactory indicate reason in comment Section

NORFOLK SOUTHERN CORPORATION BRIDGES AND STRUCTURES DEPARTMENT BRIDGE INSPECTION REPORT

 FORM 11944 (4/95)
(Item 337664)

2

Inspector: <u>W R SEAY</u>	Inspector: _____	Inspector: _____	Inspector: _____
Date: <u>7-3-03</u>	Date: _____	Date: _____	Date: _____

Division: CENTRAL District: CNOTP
 Bridge No: TE 9.1 Location: Newtown, TX Length: 50'
 Kind of Bridge: DPG-OD No. of Spans: 1 Height: 14'

	ITEMS	S	U	COMMENTS
FOUNDATIONS	Abutments/Piers/Bents/Towers	✓		
	Backwalls	✓		
	Wingwalls	✓		
	Embankment & Riprap Protection	✓		
	Bridge Seats & Bearing Areas	✓		CLEAN abuts
	Pedastals/Grillages/Blocking			
GIRDERS & TRUSSES	Bearings/Bearing Stiffeners/Anchor Bolts			
	Concrete Slab Spans/Arch Spans			
	Lower Flanges or Chords	✓		
	Upper Flanges or Chords	✓		
	Web or Main Diagonals	✓		
	Counters			
	Truss Hangers & Posts			
	Pins & Rivets	✓		
	Top Laterals	✓		
	Bottom Laterals	✓		
FLOOR SYSTEM	Sway Frames/Knee Braces	✓		
	Portal Bracing			
	Bridge Ties & Guard Timbers (older than 1974)	✓		TIES VERY WEAK - EXTRA SPIKES
	Bridge Tie Anchors	✓		Added - 90° - 56 1/2
	Walkway & Handrailing	✓		
TRESTLES	Inner Guard Rail			
	Ballast Trough & Ballast Section/Depth of Ballast			
	Stringers & Stringer Connections/Bracing			
	Floorbeam & Floorbeam Connections			
	Bulkheads			
OTHER	Stringers			
	Caps			
	Piles & Posts			
	Sills			
	Blocking			
GENERAL	Bracing			
	Paint/Date Painted	✓		
	Vegetation Control	✓		
	Bridge Opening/Drift Condition	✓		
	Waterway Channel(s) & Flowline	✓		
	Cleanliness	✓		
	Encumbrances (Ex. Utilities)			
	Bridge Signs & Markers	✓		
	Track Alignment	✓		
	Track Surface at Ends & Across Structure	✓		
	Track Anchorage	✓		
	Track Expansion Joints			
	Vibrations or Deflections (If Observed Under Load)			

 Overall Bridge Condition 2

68

- 1 = Needs Immediate Attention
 2 = Needs Attention Within 12 Months
 3 = No Attention Required

NOTE: If span condition is "1" or "2" enter the number in the upper right hand corner
 "S" = Satisfactory "U" = Unsatisfactory If Unsatisfactory indicate reason in comment Section

BRIDGE INSPECTION REPORT

Inspector: RD PATTON
Date: 2-27-01

Inspector: J.W. Foley
Date: 2-12-03

Inspector: C.C. Sullivan
Date: 03/01/04

Inspector: _____
Date: _____

Division: KENTUCKY

District: CND&TP

No: TE 9.4

Location: NEWTOWN, TN.

Length: 127.7'

No. of Bridge: TT

No. of Spans: 1

Height: 16'

	ITEMS	S	U	COMMENTS
FOUNDATIONS	Abutments/Piers/Bents/Towers	X		
	Backwalls	X		
	Wingwalls	X		Fill-in Wingwall on N. End N. Side
	Embankment & Riprap Protection	X		
	Bridge Seats & Bearing Areas	X		SW BEARINGS EMBEDDED INTO
	Pedastals/Grillages/Blocking	X		PIER TOP - GWT
GIRDERS & TRUSSES	Bearings/Bearing Stiffeners/Anchor Bolts	X		SW BEARINGS PILED
	Concrete Slab Spans/Arch Spans			
	Lower Flanges or Chords	X		
	Upper Flanges or Chords	X		
	Web or Main Diagonals	X		
	Counters	X		
	Truss Hangers & Posts	X		
	Pins & Rivets	X		
	Top Laterals	X		
	Bottom Laterals	X		
	Sway Frames/Knee Braces	X		
	Portal Bracing	X		
	Bridge Ties & Guard Timbers	X		
	Bridge Tie Anchors	X		
	Walkway & Handrailing	X		
SY	Inner Guard Rail	X		
	Ballast Trough & Ballast Section/Depth of Ballast			
	Stringers & Stringer Connections/Bracing	X		
	Floorbeam & Floorbeam Connections	X		SW END P LSR L5 U4A
TRESTLES	Bulkheads			FB Conn Angle is Broken
	Stringers			FB Conn Angle cracked @
	Caps			L5 L - L5 - U4L
	Piles & Posts			
	Sills			
OTHER	Blocking			
	Bracing			
	Paint/Date Painted	X		No Date - Fair Cond.
	Vegetation Control	X		
	Bridge Opening/Drift Condition	X		
GENERAL	Waterway Channel(s) & Flowline	X		
	Cleanliness	X		
	Encumbrances (Ex. Utilities)	X		
	Bridge Signs & Markers	X		
	Track Alignment	X		
	Track Surface at Ends & Across Structure	X		
	Track Anchorage	X		
	Track Expansion Joints	X		
	Vibrations or Deflections (If Observed Under Load)			

Overall Bridge Condition 2

69

1 = Needs Immediate Attention
2 = Needs Attention Within 12 Months
3 = No Attention Required

NOTE: If span condition is "1" or "2" enter the number in the upper right hand corner

BRIDGES AND STRUCTURES DEPARTMENT BRIDGE INSPECTION REPORT

2

Inspector: <u>RD DATTN</u>	Inspector: <u>F.W. Foley</u>	Inspector: <u>C. P. Butler</u>	Inspector: _____
Date: <u>2-27-01</u>	Date: <u>2-12-03</u>	Date: <u>5/10/04</u>	Date: _____

on: CENTRAL District: CNOETP
 No: TE 13.0 Location: WINONA, TN. Length: 137.4'
 rd of Bridge: TT No. of Spans: 1 Height: 30'

	ITEMS	S	U	COMMENTS
FOUNDATIONS	Abutments/Piers/Bents/Towers	X		50 Abutment Spalling @
	Backwalls	X		Stem & Abut. also spalling
	Wingwalls	X		
	Embankment & Riprap Protection	X		
	Bridge Seats & Bearing Areas	X		
GIRDERS & TRUSSES	Pedastals/Grillages/Blocking	X		
	Bearings/Bearing Stiffeners/Anchor Bolts	X		Exp. Bearings are Pitted and
	Concrete Slab Spans/Arch Spans			Frased.
	Lower Flanges or Chords	X		
	Upper Flanges or Chords	X		
GIRDERS & TRUSSES	Web or Main Diagonals	X		
	Counters	X		
	Truss Hangers & Posts	X		
	Pins & Rivets	X		Rivets Loose in PB can do
	Top Laterals	X		Str CL & R - 9 TOTAL
GIRDERS & TRUSSES	Bottom Laterals	X		Pin wear noted on attached
	Sway Frames/Knee Braces	X		Sheet
	Portal Bracing	X		
	Bridge Ties & Guard Timbers	X		
	Bridge Tie Anchors	X		
SYS	Walkway & Handrailing	X		
	Inner Guard Rail	X		
	Ballast Trough & Ballast Section/Depth of Ballast			
	Stringers & Stringer Connections/Bracing	X		Str can Cycle Cracked @ 2nd
	Floorbeam & Floorbeam Connections	X		Bolt hole panel 7 E. Side (open
TRESTLES	Bulkheads			B.O.D
	Stringers			
	Caps			
	Piles & Posts			
	Sills			
OTHER	Blocking			
	Bracing			
	Paint/Date Painted	X		
	Vegetation Control	X		
	Bridge Opening/Drift Condition	X		
GENERAL	Waterway Channel(s) & Flowline	X		
	Cleanliness	X		
	Encumbrances (Ex. Utilities)			
	Bridge Signs & Markers	X		
	Track Alignment	X		
GENERAL	Track Surface at Ends & Across Structure	X		
	Track Anchorage	X		Not Standard 234'
	Track Expansion Joints			
Vibrations or Deflections (If Observed Under Load)				

Overall Bridge Condition 2

1 = Needs Immediate Attention
 2 = Needs Attention Within 12 Months
 3 = No Attention Required

BRIDGES AND STRUCTURES DEPARTMENT BRIDGE INSPECTION REPORT

(Item 337664)

Inspector: RDPATON
Date: 2-27-01

Inspector: J.W. Foley
Date: 2-11-03

Inspector: CC
Date: 2-11-03

Inspector: _____
Date: _____

State: KENTUCKY

District: CNG&TP

No: 7214/5

Location: WINNIE, TN.

Length: 128'

Id of Bridge: TT

No. of Spans: 1

Height: 18'

	ITEMS	S	U	COMMENTS
FOUNDATIONS	Abutments/Piers/Bents/Towers	X		
	Backwalls	X		
	Wingwalls	X		
	Embankment & Riprap Protection	X		
	Bridge Seats & Bearing Areas	X		
GIRDERS & TRUSSES	Pedastals/Grillages/Blocking	X		
	Bearings/Bearing Stiffeners/Anchor Bolts	X		
	Concrete Slab Spans/Arch Spans	X		
	Lower Flanges or Chords	X		
	Upper Flanges or Chords	X		
	Web or Main Diagonals	X		
	Counters	X		
	Truss Hangers & Posts	X		
	Pins & Rivets	X		
	Top Laterals	X		
SYSTEMS	Bottom Laterals	X		
	Sway Frames/Knee Braces	X		
	Portal Bracing	X		
	Bridge Ties & Guard Timbers	X		
	ridge Tie Anchors	X		
DECK	Walkway & Handrailing	X		
	Inner Guard Rail	X		
	Ballast Trough & Ballast Section/Depth of Ballast	X		
	Stringers & Stringer Connections/Bracing	X		
	Floorbeam & Floorbeam Connections	X		
PIERS	Bulkheads			
	Stringers			
	Caps			
	Piles & Posts			
	Sills			
UTILITY	Blocking			
	Bracing			
	Paint/Date Painted	X		
	Vegetation Control	X		
	Bridge Opening/Drift Condition	X		
GENERAL	Waterway Channel(s) & Flowline	X		
	Cleanliness			
	Encumbrances (Ex. Utilities)			
	Bridge Signs & Markers	X		
	Track Alignment	X		
	Track Surface at Ends & Across Structure	X		
	Track Anchorage	X		
	Track Expansion Joints			
	Vibrations or Deflections (If Observed Under Load)			

*Welds are Fatigue Cracked
@ Locations Noted on
Attached Sheet*

Not standard 254'

Overall Bridge Condition 3

71

1 = Needs Immediate Attention
2 = Needs Attention Within 12 Months
3 = No Attention Required

NOTE: If span condition is "1" or "2" enter the number in the upper right hand corner

"S" = Satisfactory

"U" = Unsatisfactory

"N" = Not Inspected



NORFOLK SOUTHERN CORPORATION
BRIDGES AND STRUCTURES DEPARTMENT
BRIDGE INSPECTION REPORT

FORM 11944 (4/95)
(Item 337664)

2

Inspector: T.W. Foley Inspector: CC. Buller Inspector: _____ Inspector: _____
Date: 2-11-03 Date: 02-23-01 Date: _____ Date: _____
Division: CENTRAL District: TE.
Bridge No. TE1890 / 19.01 Location: Mill Branch Length: 79'
Kind of Bridge: DGO No. of Spans: 1 Height: _____

ITEMS		S	U	COMMENTS
FOUNDATIONS	Abutments/Piers/Bents/Towers		X	Abutment + Riser Spalling
	Backwalls		X	+ Breaking up under bearing
	Wingwalls		X	SEATS Both N+S. End.
	Embankment & Riprap Protection		X	
	Bridge Seats & Bearing Areas		X	Abutment Riser Spalling
	Pedastals/Grillages/Blocking		X	
GIRDERS & TRUSSES	Bearings/Bearing Stiffeners/Anchor Bolts		X	
	Concrete Slab Spans/Arch Spans			
	Lower Flanges or Chords		X	
	Upper Flanges or Chords		X	
	Web or Main Diagonals			
	Counters			
	Truss Hangers & Posts			
	Pins & Rivets			
	Top Laterals		X	
	Bottom Laterals		X	
FLOOR SYSTEM	Sway Frames/Knee Braces		X	
	Portal Bracing			
	Bridge Ties & Guard Timbers		X	
	Bridge Tie Anchors		X	
	Walkway & Handrailing			
	Inner Guard Rail			
TRESTLES	Ballast Trough & Ballast Section/Depth of Ballast			
	Stringers & Stringer Connections/Bracing			
	Floorbeam & Floorbeam Connections			
	Bulkheads			
	Stringers			
	Caps			
OTHER	Piles & Posts			
	Sills			
	Blocking			
	Bracing			
	Paint/Date Painted		X	
	Vegetation Control		X	
GENERAL	Bridge Opening/Drift Condition		X	
	Waterway Channel(s) & Flowline		X	
	Cleanliness		X	
	Encumbrances (Ex. Utilities)			
	Bridge Signs & Markers		X	
	Track Alignment		X	
	Track Surface at Ends & Across Structure		X	
	Track Anchorage			
	Track Expansion Joints			
	Vibrations or Deflections (If Observed Under Load)			

Overall Bridge Condition 3

72

1 = Needs Immediate Attention
2 = Needs Attention Within 12 Months
3 = No Attention Required

NOTE: If span condition is "1" or "2" enter the number in the upper right hand corner

"S" = Satisfactory

"U" = Unsatisfactory

If Unsatisfactory indicate reason in comment Section



NORFOLK SOUTHERN CORPORATION
BRIDGES AND STRUCTURES DEPARTMENT
BRIDGE INSPECTION REPORT

FORM 11944 (4/95)
(Item 337664)

3

Inspector: <u>J.W. Foley</u>	Inspector: <u>C. E. Kuller</u>	Inspector:	Inspector:
Date: <u>2-11-03</u>	Date: <u>02/23/04</u>	Date:	Date:

Division: Central District: TE

Bridge No: TE 22.10 Location: MONTGOMERY Fork Length: 133'

Kind of Bridge: DGO No. of Spans: 2 Height:

	ITEMS	S	U	COMMENTS
FOUNDATIONS	Abutments/Piers/Bents/Towers	X		
	Backwalls	X		
	Wingwalls			
	Embankment & Riprap Protection	X		
	Bridge Seats & Bearing Areas	X		
	Pedastals/Grillages/Blocking	X		
	Bearings/Bearing Stiffeners/Anchor Bolts			
GIRDERS & TRUSSES	Concrete Slab Spans/Arch Spans			
	Lower Flanges or Chords	X		
	Upper Flanges or Chords	X		
	Web or Main Diagonals			
	Counters			
	Truss Hangers & Posts			
	Pins & Rivets			
	Top Laterals			
	Bottom Laterals	X		
	Sway Frames/Knee Braces	X		
FLOOR SYSTEM	Portal Bracing			
	Bridge Ties & Guard Timbers	X		
	Bridge Tie Anchors	X		
	Walkway & Handrailing			
	Inner Guard Rail			
	Ballast Trough & Ballast Section/Depth of Ballast			
	Stringers & Stringer Connections/Bracing			
TRESTLES	Floorbeam & Floorbeam Connections			
	Bulkheads			
	Stringers			
	Caps			
	Piles & Posts			
	Sills			
	Blocking			
OTHER	Bracing			
	Paint/Date Painted	X		
	Vegetation Control	X		
	Bridge Opening/Drift Condition	X		
	Waterway Channel(s) & Flowline	X		
	Cleanliness	X		
GENERAL	Encumbrances (Ex. Utilities)			
	Bridge Signs & Markers	X		
	Track Alignment	X		
	Track Surface at Ends & Across Structure	X		
	Track Anchorage	X		
	Track Expansion Joints			
	Vibrations or Deflections (If Observed Under Load)			

Overall Bridge Condition 3

73

1 = Needs Immediate Attention
2 = Needs Attention Within 12 Months
3 = No Attention Required

NOTE: If span condition is "1" or "2" enter the number in the upper right hand corner

"S" = Satisfactory

"U" = Unsatisfactory

If Unsatisfactory indicate reason in comment Section

**Tennessee Railway Company
Oneida – Nicks Creek, TN**

Appendix 3

Rehabilitation Estimate

REHABILITATION ESTIMATE

Central Division - TE Line (0.95 - 26.25)

TIMBERING AND SURFACING	\$1,702,344
RAIL	\$80,354
BRUSH CLEARING	\$26,569
DITCHING	\$34,265
LUBRICATOR REPLACEMENT	\$66,275
BANK STABILIZATION	\$24,733
TURNOUT REPLACEMENT	\$51,293
BRIDGES AND CULVERTS	<u>\$48,000</u>
TOTAL	\$2,033,832

T&S OPERATIONS - REHABILITATION ESTIMATE

Central Division - TE Line (0.95 - 26.25)

Miles
25.30 Main Line
0.80 Sidings & Leads
1.10 Yards
27.20 Total Miles

T & S G A N G (37-MAN)			
Production rate: (miles per day)	1.20		
Number of days	23	27.20 miles	
DIRECT COSTS:			TOTAL COST
Wages - BMW			\$173,179
Expense reimbursements			\$44,082
Crossties, new 7"	900 per mile	\$33.08	\$809,798
Ballast	700 tons per mile	\$7.28	\$138,545
Track spikes	18 kegs per mile	\$71.54	\$35,026
Meals			\$21,712
Other material & expenses			\$86,590
Sub-Total			\$1,308,932
LABOR ADDITIVES / FRINGES		62.46%	\$108,168
COMPANY MATERIAL HANDLING		0.50%	\$4,917
Sub-Total			\$113,085
TOTAL			\$1,422,017

DIVISION SUPPORT			
BMW			
Unload ballast			\$6,093
T&S support, including switch-ties	27.2 miles		\$51,680
LABOR ADDITIVES / FRINGES		62.46%	\$36,085
Small tools, miscellaneous expenses			\$5,777
Expense reimbursements			\$8,666
			\$108,301
GAGING			
Wages - BMW			\$64,662
LABOR ADDITIVES / FRINGES		62.46%	\$40,388
Expense reimbursements			\$9,699
			\$114,749
TOTAL			\$223,050

COMMUNICATIONS & SIGNALS SUPPORT			
Routine C&S work with production T&S gang	\$279 PER XING		\$557
2 Mechanical road crossings			

T&S OPERATIONS - REHABILITATION ESTIMATE

Central Division - TE Line (0.95 - 26.25)

Miles
25.30 Main Line
0.80 Sidings & Leads
1.10 Yards
27.20 Total Miles

GRADE CROSSINGS

80 FEET	8.00	PRIVATE XINGS @	10	F" / XING
192 FEET	12.00	PUBLIC XINGS @	16	F" / XING
MATERIAL				
384 Feet Epflex Rubber			\$42.34	\$16,259
115 Tons Asphalt			\$34.00	\$3,910
40 Xing Timbers			\$48.00	\$1,920
200 Drive Spikes			\$0.80	\$160
53 Tons Asphalt			\$38.00	\$2,014
				<u>\$24,263</u>
CONTRACTOR				
Public	384 Rubber Feet Worked		\$51.73	\$19,864
	118 Crossties In/Out		\$12.17	\$1,436
	115 Haul Asphalt In/Out		\$11.16	\$1,283
	38 Feet Cribbing		\$10.14	\$385
Private	80 Feet Worked		\$46.00	\$3,680
	49 Crossties In/Out		\$12.17	\$596
	53 Haul Asphalt In/Out		\$11.16	\$1,183
	16 Feet Cribbing		\$10.14	\$162
				<u>\$28,589</u>
ASPHALT DISPOSAL	33.00%	17 TONS	\$27.00	\$459
FLAGGING				\$275
ADDITIVES				<u>\$3,134</u>
TOTAL				\$56,720

WORK TRAINS

NS POWER TO UNLOAD MATERIALS & EQUIPMENT RENTAL

T&E CREWS, POWER - CROSSTIES, SPIKES	5	CREW DAYS	\$7,000
T&E CREWS, POWER - BALLAST	3	CREW DAYS	<u>\$5,760</u>
TOTAL			\$12,760

Timber and Surface Summary

		Total Miles	
(1)	TIMBER & SURFACE	27.20	\$1,422,017
(2)	DIVISION SUPPORT		\$223,050
(3)	COMMUNICATION & SIGNAL - TRACK WORK SUPPORT		\$557
(4)	GRADE CROSSING RENEWAL		\$56,720
(5)	WORK TRAINS		<u>\$12,760</u>
	TOTAL		\$1,702,344

77

T&S OPERATIONS - REHABILITATION ESTIMATE

Central Division - TE Line (0.95 - 26.25)

Miles
25.30 Main Line
0.80 Sidings & Leads
1.10 Yards

27.20 Total Miles

Cost Per Mile

\$62,586

RAIL OPERATIONS - REHABILITATION ESTIMATE

Central Division - TE Line (0.95 - 26.25)

CURVE RAIL GANG (22-MAN)			
0.30 trk miles new curve rail	2.20 strands		
Production rate: (strands per day)	1.00		
Number of days	2.20		
DIRECT COSTS:			TOTAL COST
Wages - BMW			\$9,423
Expense reimbursements			\$3,170
CWR - Relay 132re Internal	232.32 nt/mile	\$80.00	\$5,576
Atlanta Plant Welding	10,560 lf/mile	\$2.15	\$6,811
Tie plates, 18" new	6,500 per mile	\$6.77	\$13,202
Rail anchors, new	11,030 per mile	\$0.91	\$3,011
Track spikes, new	90 kegs/mile	\$71.54	\$1,932
Tie plugs, new	36 k per mile	\$28.00	\$302
Other OTM			\$263
Meals			\$896
Other material & expenses			\$5,183
Sub-Total			\$49,769
LABOR ADDITIVES/FRINGES		62.46%	\$5,886
TOTAL			\$55,655

DIVISION SUPPORT			
BMW - PROGRAM			
Unload rail, OTM, other support - curve rail			\$3,000
Small tools, miscellaneous expenses			\$300
LABOR ADDITIVES/FRINGES		62.46%	\$1,874
Expense reimbursements			\$450
			\$5,624
TOTAL			\$5,624

RAIL OPERATIONS - REHABILITATION ESTIMATE

Central Division - TE Line (0.95 - 26.25)

FIELD WELDING

Field welding	Full cost (equipment, manpower, fringes, etc.)		
Thermite	53 welds	\$295.00 each	<u>\$15,635</u>
			\$15,635

WORK TRAINS

NS POWER TO UNLOAD MATERIALS & EQUIPMENT RENTAL

T&E CREWS, POWER - RAIL	1	CREW DAYS	\$2,040
T&E CREWS, POWER - OTM	1	CREW DAYS	<u>\$1,400</u>
TOTAL			\$3,440

Rail Replacement Summary

(1)	RAIL REPLACEMENT	\$55,655
(2)	DIVISION SUPPORT	\$5,624
(3)	FIELD WELDING	\$15,635
(4)	WORK TRAINS	<u>\$3,440</u>
	TOTAL CURVE RAIL	\$80,354

MISCELLANEOUS OPERATIONS - REHABILITATION ESTIMATE

Central Division - TE Line (0.95 - 26.25)

BRUSH CONTROL

DIRECT COSTS

BMW - Wages	21 Days w/5 men		\$15,540
-------------	-----------------	--	----------

LABOR ADDITIVES		62.46%	\$9,706
-----------------	--	--------	---------

SUPPLIES/MAINT

Gang Truck	21 Days	\$21.00	\$441
------------	---------	---------	-------

Bush Hogs	21 Days w/2 machines	\$21.00	\$882
-----------	----------------------	---------	-------

TOTAL			\$26,569
-------	--	--	----------

DITCHING

DIRECT COSTS

BMW - Wages	3 Months w/ 2 men		\$18,648
-------------	-------------------	--	----------

LABOR ADDITIVES		62.46%	\$11,648
-----------------	--	--------	----------

SUPPLIES/MAINT

Gang Truck	63 Days	\$21.00	\$1,323
------------	---------	---------	---------

Gradall	63 Days w/2 machines	\$21.00	\$2,646
---------	----------------------	---------	---------

TOTAL			\$34,265
-------	--	--	----------

LUBRICATOR REPLACEMENT

DIRECT COSTS

BMW - Wages	2 Days each/1 man		\$3,552
-------------	-------------------	--	---------

LABOR ADDITIVES		62.46%	\$2,219
-----------------	--	--------	---------

MATERIAL

Truck	24 Days	\$21.00	\$504
-------	---------	---------	-------

Lubricators	12 Each	\$5,000.00	\$60,000
-------------	---------	------------	----------

TOTAL			\$66,275
-------	--	--	----------

81

MISCELLANEOUS OPERATIONS - REHABILITATION ESTIMATE

Central Division - TE Line (0.95 - 26.25)

BANK STABILIZATION

4 Locations TE 25.4

DIRECT COSTS

BMW - Wages	1 Day each location/5 men	\$2,960
-------------	---------------------------	---------

LABOR ADDITIVES	62.46%	\$1,849
-----------------	--------	---------

NS POWER TO UNLOAD MATERIALS & EQUIPMENT RENTAL

T&E CREWS, POWER - RAIL	4 CREW DAYS	\$7,840
-------------------------	-------------	---------

MATERIAL

Truck	4 Days	\$21.00	\$84
Rip Rap	1200 Tons	\$10.00	\$12,000

TOTAL	\$24,733
-------	----------

TURNOUT REPLACEMENT

2 #10 Turnouts replaced
5 #10 Turnouts removed - no charge for removal

DIRECT COSTS

BMW - Wages	2 Day each location/5 men	\$2,960
-------------	---------------------------	---------

LABOR ADDITIVES	62.46%	\$1,849
-----------------	--------	---------

MATERIAL

Truck	4 Days	\$21.00	\$84
Turnouts	2 Each	\$23,200.00	\$46,400

TOTAL	\$51,293
-------	----------

MISCELLANEOUS OPERATIONS - REHABILITATION ESTIMATE

Central Division - TE Line (0.95 - 26.25)

BRIDGE AND CULVERTS		
TIE DECK RENEWALS		
9.1		\$11,000
		<u>\$11,000</u>
CULVERT REPLACEMENTS		
5.5		\$4,000
5.6		\$4,000
6.5		\$4,000
		<u>\$12,000</u>
STEEL REPAIR		
9.4		\$25,000
TOTAL		\$48,000

Projection of Bridge Costs

10-YEAR PROJECTION OF BRIDGE COSTS

LINE SEGMENT: Oneida, TN (MP TE 0.95) to Devonia, TN (MP TE 26.25)

10-YEAR CAPITAL & MAINTENANCE PROGRAM

YEAR	ROUTINE BRIDGE MAINTENANCE	TIE DECK RENEWALS		CULVERTS		BRIDGE REPAIRS/REPLACEMENTS		TOTAL ANNUAL COST	TOTAL PROGRAM COST
		MP	COST	MP	COST	MP	DESCRIPTION		
2005	\$16,000	TE 9.1	\$11,000	5.5, 5.6, 6.5	\$12,000	TE 9.4	Steel Repair	\$25,000	\$64,000
2006	\$16,000	TE 3.6	\$3,500	7.09, 8.65,	\$14,000	TE 13.0	Replace Truss	\$749,000	\$800,300
		TE 4.1	\$3,500	18.34, 20.85,		TE 3.5	Masonry Repair	\$25,000	
		TE 3.5	\$5,300	21.70					
2007	\$16,000			20.65, 20.30,	\$13,000	TE 14.5	Replace Truss	\$546,000	\$558,000
				22.54, 23.30,					
2008	\$16,000			25.52					
				3.2, 4.98,	\$12,000	TE 22.1	Steel Repair	\$25,000	\$53,000
2009	\$12,000			5.96, 16.20,					
				25.43					\$12,000
2010	\$12,000					TE 7.4	Masonry Repair	\$25,000	\$37,000
2011	\$8,000			12.15, 15.4	\$11,000				\$19,000
2012	\$8,000			7.1, 9.5, 20.2	\$7,200	TE 19.1	Masonry Repair	\$25,000	\$40,200
2013	\$8,000			8.2, 12.4	\$7,200				\$15,200
2014	\$8,000			16.57, 16.60	\$7,200	TE 8.1	Masonry Repair	\$25,000	\$40,200
10 YR. TOTAL	\$120,000		\$23,300		\$83,600			\$1,444,000	\$1,670,900
10 YR. AVG.	\$12,000		\$2,330		\$8,360			\$144,400	\$167,090

VERIFIED STATEMENT
OF
MARCELLUS C. KIRCHNER

My name is Marcellus C. Kirchner. I am employed by Norfolk Southern Corporation (NS) in the capacity of Director Strategic Planning. My office is in Norfolk, Virginia. I have been employed by NS or an NS subsidiary since 1978 and have occupied my present position since January 1993. I previously occupied the positions of Director Human Resources and Director Labor Relations. I have a Bachelor of Arts degree, *cum laude*, from Duke University and a Master of Business Administration degree from Cornell University. Since April 2004, the responsibilities of my present position have included the preparation of economic exhibits to support abandonment filings made by NS' railroad subsidiaries.

My office prepared Exhibits 2, 3 and 4 (Financial Exhibits) to the Petition for Exemption of the abandonment of Tennessee Railway Company's line between MP TE 0.95 at Oneida, TN and MP TE 27.96 at Nicks Creek, TN and I am sponsoring those exhibits. The portion of this line between MP TE 26.25 (Smoky Junction, TN) and MP TE 27.96 has been dormant for many years; therefore, these financial exhibits only pertain to the segment of the line between MP TE 0.95 and MP TE 26.25, a distance of 25.3 miles, and any subsequent references to the branch in this statement pertain only to that segment. The Financial Exhibits illustrate the branch's revenues, expenses and opportunity costs for the Base and Forecast years, and are based on a *pro forma* operation of the line. The Financial Exhibits, as well as this statement, incorporate

information gathered from a variety of NS departments which is maintained in the ordinary course of business by custodians who have a business duty to do so.

The branch has been out of service since the customer previously located at Smoky Junction, TN (MP TE 26.25), U. S. Coal, ceased loading coal in March 2004. U. S. Coal has since conveyed its facility at Smoky Junction to National Coal Corporation (National Coal), however National Coal has never shipped any coal by rail on the branch from the Smoky Junction facility, not has it made any request for rail service at Smoky Junction since acquiring the facility. As discussed in the verified statement of Stephen H. Morrell (VS Morrell), substantial rehabilitation of the branch would be required before it could again be operated safely.

The Base Year is April 2003 – March 2004, which corresponds to the last twelve months during which local revenue traffic was handled on the branch. The Forecast Year is February 2005 – January 2006.

Line 17 on Exhibit 3 shows that the branch's loss was \$233,069 for the Base Year and a loss of \$214,344 is projected for the Forecast Year. The opportunity cost for the branch totaling \$237,623 as shown in Exhibit 4 is not included in these losses. Also, in the forecast year, \$145,308 total return on value, which must be considered as a cost of operating this branch, is not included in the avoidable losses shown on Line 17.

I do not believe that this line can be operated profitably. The operating loss per revenue carload for the forecast year is \$108.¹ Moreover, this operating loss does not include any part of the rehabilitation costs of \$2,033,832 which would be required to be expended in order to reopen the branch to traffic. VS Morrell, page 2. In addition, there has been a complete absence of any traffic on the line for the past eleven months.

Revenue attributable (lines 1-4)

Revenues attributable to the branch were developed from sources that are available in the normal course of conducting business. The settled carload freight revenues and each carload's related statistical information which includes the origin, destination; commodity; lading weight; car type; class of traffic; and rail miles, were developed from NS' Traffic History databases. Traffic and revenues are shown in Exhibit 2 which is attached to the Petition. No traffic terminated on the branch during the base year; all traffic and revenues resulted from originating coal traffic. Forecast year carloads attributable to the branch are assumed to be the same as for the base year. Forecast year revenues were developed by indexing the base year revenues using the Gross Domestic Product Implicit Price Deflator, Seasonally Adjusted, Quarterly Series, 2000=100 (GDP Deflator). GDP Deflator values for the period encompassing the base year were derived from quarterly data published by the U.S. Department of Commerce, Bureau of Economic Analysis (BEA). Forecast year GDP Deflator values were derived from forecasted values for the four quarters ending with the quarter in which the forecast year terminates. Forecast year GDP deflator

¹ Exhibit 3, line 17's \$214,344 loss projected during the forecast year divided by 1,978 revenue carloads equals \$108 loss per carload.

projected values were provided by Global Insight (formerly DRI). The composite GDP Deflators thus produced for the base and forecast years, respectively, are 106.4580 and 110.9694. The adjustment factor thus produced is 4.24%.² The indexed forecast year revenue is therefore \$1,260,258.

Maintenance of Way and Structures expense

The calculation of the normalized maintenance expense included in Exhibit 3, line 5a, \$433,843 is discussed in VS Morrell. The forecast year normalized maintenance expense, indexed to the GDP Deflator, is \$452,228

Locomotive replacement cost (line 5a)

Locomotive replacement cost is determined in accordance with the Board's regulations found at 49 CFR §1152.32(o) (1). GMA Horsepower Classification Category 5 locomotives were used on the branch when it was last in operation during the base year. The last acquisition by NSR of a locomotive in this category occurred in 1980. NSR's accounting department has supplied the original acquisition cost of this last unit, which is \$791,186. This original acquisition cost has been indexed to the base and forecast years using the U.S. Department of Labor, Bureau of Labor Statistics monthly Producer Price Index – Railroad Equipment, 1982=100 (PPI-RE). The composite PPI-RE for the months comprising the base year is 137.6. The average of forecasted values for PPI-RE for the first half of 2005 as contained in the Association of American Railroads (AAR) submission to the Board for the first quarter 2005 Rail Cost Adjustment Factor (RCAF), which is 145.8, has been used as a proxy for the forecast year PPI-RE.

² $(110.9694/106.4580)-1$

The 1980 index value in the PPI-RE series 1982=100 is 90.4. The base and forecast year locomotive replacement costs thus produced are \$1,204,185³ and \$1,276,183⁴, respectively.

Maintenance of equipment (line 5b)

Maintenance of equipment expenses included in Exhibit 3 were developed in accordance with the Board's regulations found at 49 CFR §1152.32(o) and 49 CFR §1152.33(b) (1) (2) and (3). Train operations are discussed in the Transportation section below.

Locomotive repair and maintenance expenses were calculated in accordance with the Board's regulations found at 49 CFR §1152.33(b) (1).

The maintenance of equipment fringe benefits cost was calculated in accordance with 49CFR 1152.33(b) (3). The fringe benefit rate thus calculated for the base year is 42.11%.

The locomotive depreciation expenses were calculated in accordance with the Board's regulations found at 49 CFR §1152.32(o) and 49 CFR §1152.33(b) (2). The NSR composite locomotive depreciation rate specified in 49 CFR §1152.32(o) (2) is 3.58% for 2003, the latest year for which Form R-1 data is available, and according to information developed from NSR's Locomotive Information System, the average age of Category 5 locomotives in 2003 was 29.2 years. As 3.58% times 29.2 exceeds 100%, Category 5 locomotives are considered fully depreciated and have a zero book value for the purpose of these calculations, and thus the depreciation expense is zero.

³ \$791,186x137.6/90.4

⁴ \$791,186x145.8/90.4

Transportation (line 5c)

Transportation expenses included in Exhibit 2 were developed for the *pro forma* train operations in accordance with the Board's regulations. During the base year when the line was in active service, it was served two days per week by a three person local crew. The job went on duty at Oneida, TN, proceeded to Smoky Junction, TN where it switched the industry there, and then returned to Oneida. *Pro forma* transit time, including switching, is 6' 34" round trip. Three 4-axle locomotives were used due to the topography of the line. Actual crew cost for these 104 trips was \$81,819, including productivity fund contributions.

Expenses for engine and train crew materials, train inspection and lubrication labor and materials were calculated in accordance with the Board's regulations found at 49 CFR §1152.33(c)(1)(i). Forecast year expenses for engine and train crew materials, train inspection and lubrication labor and materials were developed by indexing base year expenses by the GDP deflator.

Locomotive fuel expenses were calculated in accordance with the Board's regulations found at 49 CFR §1152.33(c) (1) (ii). Forecast year locomotive fuel expenses were developed by indexing base year expenses by the GDP deflator.

Locomotive servicing expenses were calculated in accordance with the Board's regulations found at 49 CFR §1152.33(c) (1) (iv). Forecast year locomotive servicing expenses were developed by indexing base year expenses by the GDP deflator.

Transportation fringe benefit costs were calculated in accordance with the Board's regulations found at 49 CFR §1152.33(c) (4) (i). The fringe benefit rate thus

calculated for the base year is 36.58%. Forecast year fringe benefit costs were developed by indexing base year expenses by the GDP deflator.

Freight car costs (lines 5g and 5i)

Freight car costs calculations required the development of separate unit cost factors for car day rates per day and car mile rates per mile by car type for repair and depreciation, return on value, depreciation only, and holding gain (loss). The Costs Department developed those rates in accordance with the Board's regulations found at 49 CFR §1152.32(g).

My office developed the car days and the car miles on-branch for the line's traffic and calculated the freight car costs. Car days are based on the pro forma train operations and for the purpose of calculating car cost, the railroad owned freight cars were assigned 4 car days on-branch per car. The return on value for the forecast year includes an adjustment for the holding gain (loss). Forecast year freight car costs were indexed by the GDP Deflator.

Return on value for locomotives (line 5h)

Locomotive return on value expenses were calculated in accordance with the Board's regulations found at 49 CFR §1152.32(h). Locomotive purchase cost is discussed above in the section captioned, Transportation. Because book value for Category 5 locomotives is zero for the purpose of these calculations, return on value expense for locomotives is also zero.

Off-branch costs (line 6)

The Costs Department developed off-branch unit costs and calculated the off-branch costs in accordance with the Board's regulations found at 49 CFR §1152.32(n). Forecast year off-branch costs were indexed by the GDP Deflator.

Valuation of property (lines 12a, b and c)

The valuation of property (lines 12a, b and c) is the sum of working capital and net liquidation value less income tax consequences.

Working capital expenses for the forecast year were calculated in accordance with the Board's regulations found at 49 CFR §1152.34(c)(1)(i) for the branch by calculating forecast year on-branch avoidable costs less locomotive depreciation and freight car depreciation and then multiplying the result by 15/365 or 0.0411 to produce 15 days' worth:

A. On-branch avoidable costs (Exhibit 3, line 5(l))	\$822,273
B. Locomotive depreciation	0
C. Freight car depreciation	<u>32,623</u>
D. Avoidable costs less depreciation (A-B-C)	789,650
E. Working capital (D x 0.041)	\$32,376

Income tax consequences are \$684,641, the estimated net liquidation value of the track at the end of the forecast year, \$1,850,380, multiplied by 37%, the composite federal and state tax income rate.

The net liquidation value is the sum of the net salvage value of the track and structures on the right-of-way plus the net liquidation value of the right-of-way land which is held in fee for the branch. The current net salvage value of the track and structures for the line is \$1,815,820 (Exhibit 5). The net liquidation value of the land is not available at this time. The total current net liquidation value is \$1,815,820. The net liquidation value is adjusted for a holding gain projected to occur during the forecast year. A figure of 1.9%, developed using predicted changes in the GDP Deflator during the forecast year, was applied to the current net liquidation value to produce the estimated holding gain, \$33,436. The net liquidation value at the end of the forecast year is thus \$1,849,256 ($\$1,815,820 + \$33,436$).

Nominal rate of return and nominal return on road properties (lines 13 and 14)

The nominal rate of return, Exhibit 3, line 13, was calculated in accordance with the Board's decision in Railroad Cost of Capital – 2003, *Ex Parte* No. 558 (Sub-No. 7), served June 28, 2004 and the Board's regulations found at 49 CFR §1152.34(d). The current nominal before tax cost of capital rate thus calculated is 14.93%.

The nominal return on road properties, Exhibit 1, line 14, was calculated by multiplying the current valuation of property (line 12) by 14.93%.

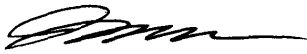
Holding gain (loss) on road properties (line 15)

As discussed in the Valuation of Property section above, the estimated holding gain during the forecast year is \$33,436.

Verification

I, Marcellus C. Kirchner, verify under penalty of perjury that I am Director Strategic Planning of Norfolk Southern Corporation, that I have read the foregoing document and know its contents, and that the same is true and correct to the best of my knowledge and belief.

Executed on February 24, 2005



Marcellus C. Kirchner

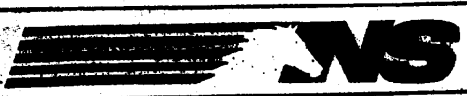
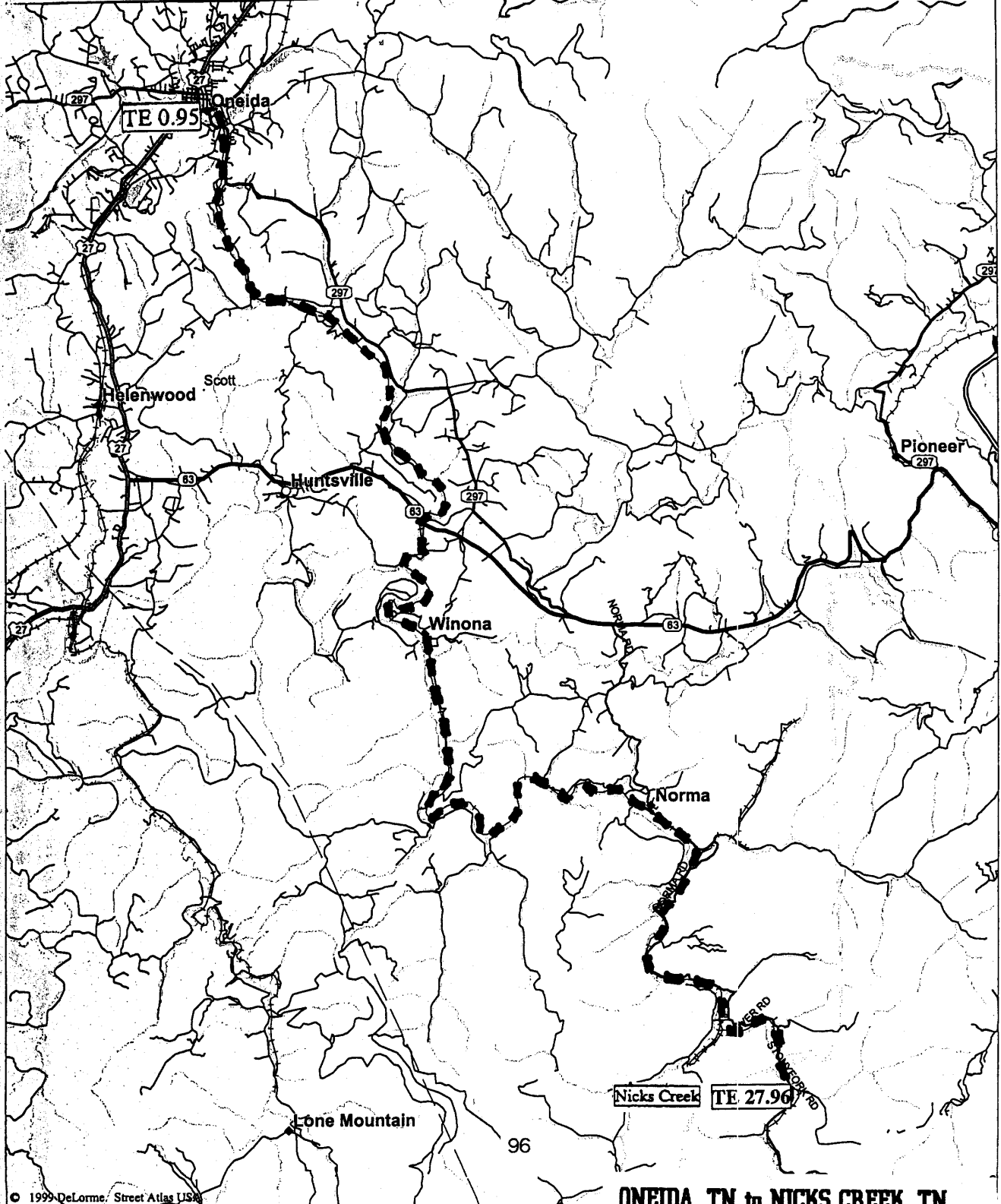


Exhibit 1



**Norfolk Southern Railway Company
Pro Forma Traffic/Revenue Statement
Oneida to Nicks Creek, Tennessee**

Operation between Oneida and Smoky Junction, Tennessee (TE 0.95 to TE 26.25)

Base Year: April 1, 2003 to March 31, 2004

Traffic Grid

Station	CL TR*	STCC	Cars	Tons	NS Revenue
Smokey Jct.	2A	BITS COAL	2nd Qtr. 2003 thru 1st Qtr. 2004		
			1,978	212,948	\$ 1,209,023
		Class Total	1,978	212,948	\$ 1,209,023
	Study Total		1,978	212,948	\$ 1,209,023

*Class traffic 2A originates on-branch on the NS system and terminates at a destination on the NS System (outbound from the branch).

Norfolk Southern Railway Company
Pro Forma Income Statement

Operation between Oneida and Smoky Junction, Tennessee (TE 0.95 to TE 26.25)

Railway operating revenues and expenses* based on operating over the Oneida to Smoky Jct., TN line segment between milepost TE 0.95 and milepost TE 26.25, a distance of approximately 25.30 miles.

	Base Year 1 / 1,978 CL	Forecast Year 2 / 1,978 CL
REVENUES ATTRIBUTABLE FOR:		
1. Freight Originating and/or Terminating on Branch	\$ 1,209,023	\$ 1,260,258
2. Bridge Traffic		
3. All Other Revenue and Income		
4. TOTAL ATTRIBUTABLE REVENUE (Lines 1 through 3) (a)	\$ 1,209,023	\$ 1,260,258
AVOIDABLE COSTS FOR:		
5. ON-BRANCH COSTS:		
a. Way and Structures (b)	\$ 433,843	\$ 452,228
b. Equipment (c)	4,645	4,842
c. Transportation (d)	139,137	145,033
d. General and Administrative		
e. Deadheading, Taxi and Hotel		
f. Overhead Movement		
g. Freight Car Costs (Other Than Return) (e)	50,666	52,813
h. Return on Value - Locomotives (f)	0	0
i. Return on Value - Freight Cars (e)	160,553	167,357
j. Revenue Taxes		
k. Property Taxes		
l. TOTAL (Lines 5a through 5k)	\$ 788,844	\$ 822,273
m. Holding Gain (Loss) - Locomotives (f)		0
n. Holding Gain (Loss) - Freight Cars (e)		18,602
o. NET ON-BRANCH COSTS (Lines 5l - (5m+5n))	\$ 788,844	\$ 803,671
6. OFF BRANCH COSTS: (g)		
a. Off-Branch Costs (Other than Return)	\$ 566,940	\$ 590,965
b. Return on Value - Freight Cars	86,308	89,966
c. Holding Gain (Loss) - Freight Cars		10,000
d. NET OFF-BRANCH COSTS (Lines 6a + 6b - 6c)	\$ 653,248	\$ 670,931
7. TOTAL AVOIDABLE COSTS (Lines 5o + 6d)	\$ 1,442,092	\$ 1,474,602
SUBSIDIZATION COSTS FOR:		
8. Rehabilitation	\$	\$ 2,033,832
9. Administrative Costs (Subsidy Year Only) (See Note 1)		
10. Casualty Reserve Account (See Note 1)		
11. TOTAL SUBSIDIZATION COST (Lines 8 through 10)	\$	\$ 2,033,832
12. Valuation of Road Properties (See Note 2)		
a. Working Capital		\$ 32,376
b. Income Tax Consequences		(684,225)
c. Net Liquidation Value		1,849,256
d. TOTAL (Lines 12a through 12c)		\$ 1,197,407
13. Nominal Rate of Return (See Note 3)		14.93%
14. Nominal Return on Value (Line 12d x 13)		\$ 178,744
15. Holding Gain (Loss) (See Note 4)		33,436
16. TOTAL RETURN ON VALUE (Line 14 - 15)		\$ 145,308
17. AVOIDABLE LOSS (PROFIT) FROM OPERATIONS (Lines 7- 4)	233,069	214,344
18. AVOIDABLE LOSS INCLUDING RETURN ON VALUE (Lines 7- 4+16)		\$ 359,652
19. AVOIDABLE LOSS INCLUDING SUBSIDIZATION COSTS & RETURN ON VALUE (Line 4-7+16+11)		\$2,393,484

* Derived from Norfolk Southern Corporation (NS) combined railroad subsidiaries information.

1_/ April 2003 – March 2004 is the Base Year

2_/ February 2005 – January 2006 is the Forecast Year

Norfolk Southern Railway Company
Pro Forma Income Statement
Oneida to Nicks Creek, Tennessee

Operation between Oneida and Smoky Junction, Tennessee (TE 0.95 to TE 26.25)

- (a) Base year attributable branch traffic and revenues are for 1,978 carloads which originated on the branch. For an explanation of revenues attributable, please see the verified statement of Marcellus C. Kirchner (VS Kirchner), page 3.
- (b) The normalized annual Way and Structures (WS) expenses to operate the branch line from Oneida, TN to approximately Nick's Creek, TN, MP TE 0.95 to MP TE 26.25, at the FRA Class I (10 MPH) track and safety standards for the base year are \$433,843. For an explanation of the derivation of the normalized WS expenses, please see the verified statement of Stephen H. Morrell. WS expenses to operate the line segment for the forecast year are \$452,228, derived from the base year expense adjusted using the GDP deflator as described in VS Kirchner, page 4.
- (c) Equipment includes repairs and maintenance of locomotives, totaling \$4,033, which is calculated in accordance with provisions of 49 C.F.R. §1152.33(b)(1), and fringe benefits, totaling \$613, which is calculated in accordance with provisions of 49 C.F.R. §1152.33(b)(3), totaling \$4,645 for the base year and \$4,842 for the forecast year. See VS Kirchner, page 5.
- (d) Base year transportation expenses include the train and engine crew (T&E) labor (2 man crew), totaling \$111,355 (including fringe benefits), which is calculated on the actual cost of the crew, train inspection and lubrication, totaling \$3,479, which is calculated in accordance with provisions of 49 C.F.R. §1152.33(c)(1)(i), locomotive fuel, totaling \$23,153, which is calculated in accordance with provisions of 49 C.F.R. §1152.33(c)(1)(ii), and servicing locomotives, totaling \$1,046, which is calculated in accordance with provisions of 49 C.F.R. §1152.33(c)(1)(iv), totaling \$139,137 for the base year.

Forecast year transportation expenses, include the train and engine crew (T&E) labor (2 man crew), totaling \$116,074 (including fringe benefits), train inspection and lubrication, totaling \$3,626, locomotive fuel, totaling \$24,135, and servicing locomotives, totaling \$1,091, which is calculated in accordance with provisions of 49 C.F.R. §1152.33(c)(1)(iv), totaling \$145,033 for the forecast year. See VS Kirchner, page 6.
- (e) Calculated in accordance with provisions of 49 C.F.R. §1152.32(g). See VS Kirchner, page 7.
- (f) Calculated in accordance with provisions of 49 C.F.R. §1152.32(h). See VS Kirchner, page 7.
- (g) Off-branch costs are calculated in accordance with 49 C.F.R. §1152.32(n). See VS Kirchner, page 8.

Norfolk Southern Railway Company
Pro Forma Income Statement
Oneida to Nicks Creek, Tennessee:

Operation between Oneida and Smoky Junction, Tennessee (TE 0.95 to TE 26.25)

- Note 1. Omitted in accordance with provisions of Footnote 2 in 49 C.F.R. §1152.36.
- Note 2. Total valuation of properties is the sum of working capital, income tax consequences and net liquidation value (NLV). Working capital is calculated in accordance with provisions of 49 C.F.R. §1152.34(c)(1)(i). The forecast year estimated income tax consequences are \$684,225; 1,849,256, the net liquidation value of the track and structures on the Oneida to Nicks Creek, TN Line Segment: at the end of the forecast year, multiplied by the 37% composite tax rate. The fair market value of right-of-way land held in fee is not available at this time.
- Note 3. The nominal before tax cost of capital rate of 14.93% is based on Railroad Cost of Capital - 2003, Ex Parte No. 558 (Sub-No.7), Service Date June 28, 2004, decided June 22, 2004.
- Note 4. Holding gain (loss) on road properties is calculated in accordance with provisions of 49 C.F.R.1152.34(e). See VS Kirchner, page 9.

Norfolk Southern Railway Company
Opportunity Cost Statement
Oneida to Nicks Creek, Tennessee:

Operation between Oneida and Smoky Junction, Tennessee (TE 0.95 to TE 26.25)

1. Current net liquidation value	\$	1,815,820 ¹
2. Cost of capital		x <u>.1493</u> ²
3. Nominal opportunity cost (Line 1 times line 2)	\$	271,059
4. Holding gain (loss)		33,436 ¹
5. Opportunity cost (Line 3 less line 4)	\$	237,623

¹ \$1,815,820 is the current net liquidation value for the Oneida to Smokey Jct., TN line, MP TE 0.95 to MP TE 26.25. Using \$1,850,380 as the net liquidation value for the line at the end of the forecast year produces a holding gain of \$34,560.

² Based on Railroad Cost of Capital - 2003, Ex Parte No. 558 (Sub-No. 7), Service Date June 28, 2003, the nominal before tax cost of capital is 14.93%.

NET LIQUIDATION VALUE ESTIMATE

Oneida to Smoky Junction, TN

TE 0.95 to TE 26.25

25.30 MILES OF MAIN TRACK

GROSS VALUE:	ITEM	QUANTITY	UNIT	UNIT VALUE	GROSS VALUE
	140 #RAIL:	0.00 MI.	0 NT @	\$270 /NT =	\$0
	#OTM :		0 NT @	\$280 /NT =	\$0
	136 #RAIL:	0.00 MI.	0 NT @	\$270 /NT =	\$0
	#OTM :		0 NT @	\$280 /NT =	\$0
	133 #RAIL:	0.00 MI.	0 NT @	\$270 /NT =	\$0
	#OTM :		0 NT @	\$280 /NT =	\$0
	132 #RAIL:	25.30 MI.	5,584 NT @	\$270 /NT =	\$1,507,707
	#OTM :		2,188 NT @	\$280 /NT =	\$612,598
	131 #RAIL:	0.00 MI.	0 NT @	\$270 /NT =	\$0
	#OTM :		0 NT @	\$280 /NT =	\$0
	130 #RAIL:	0.00 MI.	0 NT @	\$270 /NT =	\$0
	#OTM :		0 NT @	\$280 /NT =	\$0
	127 #RAIL:	0.00 MI.	0 NT @	\$270 /NT =	\$0
	#OTM :		0 NT @	\$280 /NT =	\$0
	115 #RAIL:	0.00 MI.	0 NT @	\$270 /NT =	\$0
	#OTM :		0 NT @	\$280 /NT =	\$0
	112 #RAIL:	0.00 MI.	0 NT @	\$270 /NT =	\$0
	#OTM :		0 NT @	\$280 /NT =	\$0
	110 #RAIL:	0.00 MI.	0 NT @	\$270 /NT =	\$0
	#OTM :		0 NT @	\$280 /NT =	\$0
	107 #RAIL:	0.00 MI.	0 NT @	\$270 /NT =	\$0
	#OTM :		0 NT @	\$280 /NT =	\$0
	105 #RAIL:	0.00 MI.	0 NT @	\$270 /NT =	\$0
	#OTM :		0 NT @	\$280 /NT =	\$0
	100 #RAIL:	0.00 MI.	0 NT @	\$270 /NT =	\$0
	#OTM :		0 NT @	\$280 /NT =	\$0
	60 #RAIL:	0.00 MI.	0 NT @	\$270 /NT =	\$0
	#OTM :		0 NT @	\$280 /NT =	\$0
TURNOUTS :		22 EA @	\$2,000 EA =		\$44,000
CROSSTIES:	25 %	20,038 EA @	\$5.00 EA =		\$100,190
GROSS VALUE SUBTOTAL =					\$2,264,495

REMOVAL COSTS:

REMOVE TRACK AND REPAIR

GRADE CROSSINGS:	25.30 MI. @	\$14,000 /MI. =	(\$354,200)
REMOVE TURNOUTS:	22 EA @	\$500 EA =	(\$11,000)
HANDLING COSTS:	9,275 NT @	\$9.00 /NT =	(\$83,475)

REMOVAL COSTS SUBTOTAL = (\$448,675)

ESTIMATED NET LIQUIDATION VALUE = \$1,815,820

Oneida to Smoky Junction, TN

\$71,772 PER MILE

25.30 MILES OF MAIN TRACK

NLV OF TRACK MATERIALS ONLY

NOTE: Scrap valuation is based on averages of Chicago Market Index prices per ton as published at the beginning of each month in the publication, *American Metal Market*, which are validated by polling current buyers of NSR scrap..

NET LIQUIDATION VALUE ESTIMATE
Smoky Junction to Nicks Creek, TN
TE 26.25 to TE 27.96

1.71 MILES OF MAIN TRACK

GROSS VALUE:	ITEM	QUANTITY	UNIT	UNIT VALUE	GROSS VALUE
	140 #RAIL:	0.00 MI.	0 NT @	\$270 /NT =	\$0
	#OTM :		0 NT @	\$280 /NT =	\$0
	136 #RAIL:	0.00 MI.	0 NT @	\$270 /NT =	\$0
	#OTM :		0 NT @	\$280 /NT =	\$0
	133 #RAIL:	0.00 MI.	0 NT @	\$270 /NT =	\$0
	#OTM :		0 NT @	\$280 /NT =	\$0
	132 #RAIL:	1.71 MI.	377 NT @	\$270 /NT =	\$101,831
	#OTM :		148 NT @	\$280 /NT =	\$41,496
	131 #RAIL:	0.00 MI.	0 NT @	\$270 /NT =	\$0
	#OTM :		0 NT @	\$280 /NT =	\$0
	130 #RAIL:	0.00 MI.	0 NT @	\$270 /NT =	\$0
	#OTM :		0 NT @	\$280 /NT =	\$0
	127 #RAIL:	0.00 MI.	0 NT @	\$270 /NT =	\$0
	#OTM :		0 NT @	\$280 /NT =	\$0
	115 #RAIL:	0.00 MI.	0 NT @	\$270 /NT =	\$0
	#OTM :		0 NT @	\$280 /NT =	\$0
	112 #RAIL:	0.00 MI.	0 NT @	\$270 /NT =	\$0
	#OTM :		0 NT @	\$280 /NT =	\$0
	110 #RAIL:	0.00 MI.	0 NT @	\$270 /NT =	\$0
	#OTM :		0 NT @	\$280 /NT =	\$0
	107 #RAIL:	0.00 MI.	0 NT @	\$270 /NT =	\$0
	#OTM :		0 NT @	\$280 /NT =	\$0
	105 #RAIL:	0.00 MI.	0 NT @	\$270 /NT =	\$0
	#OTM :		0 NT @	\$280 /NT =	\$0
	100 #RAIL:	0.00 MI.	0 NT @	\$270 /NT =	\$0
	#OTM :		0 NT @	\$280 /NT =	\$0
	60 #RAIL:	0.00 MI.	0 NT @	\$270 /NT =	\$0
	#OTM :		0 NT @	\$280 /NT =	\$0
	TURNOUTS :		0 EA @	\$2,000 EA =	\$0
	CROSSTIES:	25 %	1,354 EA @	\$5.00 EA =	\$6,770
GROSS VALUE SUBTOTAL =					\$150,097

REMOVAL COSTS:

REMOVE TRACK AND REPAIR

GRADE CROSSINGS:	1.71 MI. @	\$14,000 /MI.=	(\$23,940)
REMOVE TURNOUTS:	0 EA @	\$500 EA =	\$0
HANDLING COSTS:	627 NT @	\$9.00 /NT =	(\$5,643)

REMOVAL COSTS SUBTOTAL = (\$29,583)

ESTIMATED NET LIQUIDATION VALUE = \$120,514
 Smoky Junction to Nicks Creek, TN

1.71 MILES OF MAIN TRACK

\$70,476 PER MILE

NLV OF TRACK MATERIALS ONLY

NOTE: Scrap valuation is based on averages of Chicago Market Index prices per ton as published at the beginning of each month in the publication, *American Metal Market*, which are validated by polling current buyers of NSR scrap..

10 MPH
CLASS 1

NORMALIZED MAINTENANCE PROJECTION
Projected Costs -- 10-Year Maintenance Cycle
Oneida, TN to Nicks Creek, TN

	MILEPOSTS TE										25.30 MILES MAIN TRACK									
	Year	Year	Year	Year	Year	Year	Year	Year	Year	Year	Year	Year	Year	Year	Year	Year	Year	Year	Year	Year
	1	2	3	4	5	6	7	8	9	10										
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014										
ROUTINE WORK																				
INSPECTION	5,900	5,900	5,900	5,900	5,900	5,900	5,900	5,900	5,900	5,900										
GENERAL TRACK REPAIR	29,700	29,700	29,700	29,700	29,700	29,700	29,700	29,700	29,700	29,700										
RAIL TESTING	1,800	1,800	1,800	1,800	1,800	1,800	1,800	1,800	1,800	1,800										
VEGETATION CONTROL	5,800	5,800	5,800	5,800	5,800	5,800	5,800	5,800	5,800	5,800										
SIGNAL TEST/MAINT	2,400	2,400	2,400	2,400	2,400	2,400	2,400	2,400	2,400	2,400										
BRIDGE REPAIRS	16,000	16,000	16,000	16,000	16,000	16,000	16,000	16,000	16,000	16,000										
ROUTINE SUBTOTAL	\$61,600	\$61,600	\$61,600	\$61,600	\$61,600	\$61,600	\$61,600	\$61,600	\$61,600	\$61,600										
PROGRAM WORK																				
RAIL RENEWAL																				
TIMBER AND SURFACE																				
SURFACING																				
BRUSH CUTTING																				
DITCHING																				
SIGNAL																				
BRIDGE RENEWAL																				
PROGRAM SUBTOTAL																				
MAINTENANCE TOTAL	\$43,500	\$843,800	\$614,400	\$80,500	\$245,900	\$81,400	\$54,500	\$75,700	\$1,647,030	\$75,700										
	\$105,100	\$905,400	\$675,000	\$142,100	\$303,500	\$139,000	\$108,100	\$129,300	\$1,700,630	\$129,300										

MAINTENANCE SUMMARY:

TEN YEAR PROJECTED TOTAL =
ANNUAL COST FOR LINE =
ANNUAL COST PER MILE =

ROUTINE WORK		PROGRAM WORK		LINE TOTAL	
ROADWAY	BRIDGE	ROADWAY	BRIDGE	TOTAL	TOTAL
\$456,000	\$120,000	\$2,259,530	\$1,502,900	\$3,762,430	\$4,338,430
\$45,600	\$12,000	\$225,953	\$150,290	\$376,243	\$433,843
\$1,802	\$474	\$8,931	\$5,940	\$14,871	\$17,148

EXHIBIT 7

**ENVIRONMENTAL AND
HISTORIC REPORTS**

**ENVIRONMENTAL REPORT ON
PROPOSED RAIL LINE ABANDONMENT**

**TENNESSEE RAILWAY COMPANY
(BETWEEN MP TE-0.95 AND MP TE-27.96)
ONEIDA TO NICK'S CREEK,
SCOTT COUNTY, TENNESSEE**

.....
**NORFOLK SOUTHERN RAILWAY COMPANY
ENVIRONMENTAL PROTECTION DEPARTMENT
110 FRANKLIN ROAD, SE
ROANOKE, VIRGINIA 24042-0013**

December 3, 2004

(ONNC.doc)

ENVIRONMENTAL REPORT ON PROPOSED RAIL LINE ABANDONMENT

Abandonment of: 27.01 miles of track between MP TE-0.95 and MP TE-27.96 from Oneida to Nick's Creek, Scott County, Tennessee.

1. PROPOSED ACTION AND ALTERNATIVES

Tennessee Railway Company (hereinafter called TRC), a wholly owned subsidiary of Norfolk Southern Railway Company (hereinafter called NSR), proposes to abandon 27.01 miles of rail line from Oneida to Nick's Creek, TN. A map delineating the line proposed for abandonment is attached as **Appendix A**.

The two alternatives to abandonment of the entire line are:

1. to not abandon; or
2. to discontinue service on the line and retain the trackage in place.

These alternatives are not satisfactory. As there have been no shipments over the line since March 2004, service on the line is not required to serve any active shippers. A substantial rehabilitation expense would be required to maintain service if it were to be reactivated. As a result, TRC would incur opportunity and other holding costs that would need to be covered by NSR's other customers were the line to be retained without being used for active rail freight service. If the line is abandoned, the track and materials may be salvaged and the property sold to be put to a more productive use. Several grade crossings can be eliminated, which will benefit local traffic and reduce railroad and public maintenance costs.

TRC's letter to federal, state and local government agencies is attached as **Appendix B**. Responses to the letter or other comments received as result of consultations can be found in **Appendix C**. Certification of the recipients of this report can be found in **Appendix D**.

2. TRANSPORTATION SYSTEM

Effects of the proposed action on regional or local transportation systems and patterns are expected to be negligible. Within the last two years, 1,978 carloads moved over the line during the 12 month period from April 2003 through March 2004 (when the last shipment over the line occurred); and, 3,945 carloads moved over the line during the 12 month period April 2002 through March 2003. Traffic diversions are discussed in more detail in paragraphs 4 and 5.

3. LAND USE

(i) Land Use Plans

The proposed abandonment involves 27.01 miles of rail line located in Scott County Tennessee. The land use along the rail line to be abandoned is 60% undeveloped, 15% residential, 10% agricultural and 5% industrial. Where TRC owns the right-of-way (ROW), it will be allowed to naturally revegetate; where TRC does not own the ROW, the owner and local zoning and development ordinances will determine land use.

With respect to effects of the proposed rail line abandonment on land use, TRC believes any impact will be negligible. The low levels of traffic on the rail line proposed for abandonment indicates a substantial lack of rail-dependent land uses in the service area. Since limited rail traffic has moved on the line over which service is to be abandoned, the abandonment is not expected to have any effect on existing land use, future land use, land use plans, or the land use planning process. Therefore, the proposed abandonment is consistent with any land use plans for the service area.

(ii) Prime Agricultural Lands

No effects on any prime agricultural land are anticipated as a result of the abandonment.

(iii) Coastal Zone

Not Applicable

(iv) Alternative Public Use

TRC does not have fee title to the entire ROW underlying the line proposed for abandonment; therefore, TRC will not have a contiguous corridor available for public use. This factor, together with considerations related to location, physical condition, and adjacent conditions, leads TRC to believe the ROW of the line proposed for abandonment would not be suitable for highways, other forms of mass transit, energy production or related transportation facilities, conservation or recreation corridors, or other public use.

4. ENERGY

(i) Development and Transportation of Energy Resources

Development and transportation of energy resources will not be affected by the abandonment. Limited freight or passenger traffic has moved on the line proposed for abandonment for two years. None involved the transportation of recyclable commodities. Therefore, compared with the past two years, the abandonment would have no effect on development and transportation of energy resources.

(ii) Movement/Recovery of Recyclable Commodities

Movement/recovery of recyclable commodities will not be affected by the abandonment. Coal has been the only commodity moved over this line within the last two years. Therefore, the abandonment would have no effect on movement or recovery of recyclable commodities.

(iii) Impact on Energy Efficiency

In the past two years, a limited amount of traffic has moved on the segment of the line from MP TE 0.95 to MP TE 26.25; the segment from MP TE 26.25 to MP TE 27.96 has been dormant for more than two years. During the 12-month period April 2002 through March 2003, 3,945 carloads, containing a total of 422,422 tons of freight (an average of 107.1 tons per carload), were transported on the line between MP TE 0.95 and MP TE 26.25. In the 12-month period April 2003 through March 2004, 1,978 carloads, containing a total of 212,948 tons of freight (an average of 107.7 tons per carload), were transported over the segment from MP TE 0.95 to MP TE 26.25. Diversion of this traffic to highways paralleling the line proposed for abandonment would produce no significant energy impacts.

Calculation of net change in energy consumption is as follows:

- Assuming: 1) a loaded truckload amounts to 18 tons, 2) trucks operate loaded one way with empty return, and 3) loaded/empty truck fuel consumption figures are 4.5 to 6.5 miles per gallon respectively. Therefore, the weighted average of diesel fuel required annually to move the same tonnage by truck is 223,286 gallons in the 12-month period from April 2002 through March 2003; 112,561 gallons in the 12-month period from April 2003 through March 2004.

To move the same amount of tonnage along the active portion of the line by train involves the following:

- **Data – 12 Month Period April 2003 through March 2003:**

In the 12-month period April 2002 through March 2003, 3,945 cars were transported resulting in a total of 208 trips with the average train consisting of 19 car loads. At 7.1 hours per trip this yields a total of 1,470 locomotive hours per year. Three locomotive units (6,000 HP) are used, thus fuel consumption is 77,609 gallons (1,470 locomotive hours x 17.6 gallons per hour x 3 locomotives). Therefore, transportation by truck requires an increase in diesel fuel consumption of 145,677 gallons (223,286 gallons by truck less 77,609 by rail).

- **Data – 12 Month Period April 2003 through March 2004:**

In the 12-month period April 2003 through March 2004, 1,978 car loads were transported resulting in a total of 104 trips with an average train consisting of 19 car loads. At 7.1 hours per trip this yields a total of 735 locomotive hours per year. Three locomotive units (6,000 HP) are used, thus fuel consumption is 38,804 gallons (735 locomotive hours x 17.6 gallons per hour x 3 locomotives). Therefore, transportation by truck requires an increase in diesel fuel consumption of 73,757 gallons (112,561 gallons by truck less 38,804 by rail).

(iv) Diversion of Traffic to Motor Carriers

Because no traffic has moved over this line segment since March 2004, no traffic is expected to be diverted to motor carriers in connection with the proposed abandonment.

5. AIR

The proposed action does not exceed Surface Transportation Board thresholds at 49CFR 1105.7 (e)(5) and therefore does not require a quantified analysis of emissions. Emission associated with rail removal and salvage operations will be temporary and will not have a significant impact on air quality.

(i) Effects on Air Emissions

Neither the State of Tennessee nor Scott County has established analysis thresholds for air emissions. However, the Tennessee Department of Conservation does have an air regulation regarding fugitive dust emissions. This regulation is located in **Appendix E**.

The United States Environmental Protection Agency (USEPA) has National Ambient Air Quality Standards for pollutants (including ozone) as found in 40 CFR Part 50; however, TRC does not anticipate any adverse effect on Tennessee's air quality as a result of the proposed abandonment.

(ii) Class I or Non-Attainment Area

Scott County in Tennessee is in attainment for all National Ambient Air Quality Standard (NAAQS) pollutants according to the U.S. Environmental Protection Agency. Scott County is in attainment for

ozone. TRC does not believe any Class I or Non-Attainment areas would be affected by the proposed abandonment.

(iii) Ozone Depleting Materials

Not applicable. Coal has been the only commodity moved over this line within the last two years.

6. NOISE

The proposed action does not exceed Surface Transportation Board thresholds at 49 CFR 1105.7 (e)(6) and therefore does not require a quantified analysis of noise levels. Noise levels associated with rail removal or salvage operations are temporary and should not have a significant impact on the area surrounding the proposed abandonment.

There is no Federal noise regulation according to the Environmental Protection Agency. Neither the State of Tennessee nor Scott County has established analysis thresholds for noise.

7. SAFETY

(i) Public Health and Safety

Abandonment of the captioned rail line will have no significant effect upon public health or safety. The closing of fifteen public and twenty-three private at-grade crossings on this segment to be abandoned and the removal of associated signs and signals will enhance public safety by eliminating distractions to vehicular traffic crossing the line. These crossings are listed in detail in **Appendix F**.

(ii) Hazardous Materials Transport

Not applicable. Action proposed is abandonment.

(iii) Hazardous Waste or Hazmat Spill Sites

TRC has no knowledge of any hazardous waste sites or solid waste site on the ROW of the line proposed for abandonment or which will be affected by this abandonment. A search of company records was conducted and a single incident was noted in which a diesel release in the amount of 40 gallons occurred. The contaminated soil was removed and properly disposed of in accordance with applicable regulations. The release record for this event can found in **Appendix F** of this report.

8. BIOLOGICAL RESOURCES

(i) Endangered Species/Critical Habitat

Per consultation with The United States Fish and Wildlife Service (USFWS) in Cookeville, TN, The Tennessee Wildlife Resource Agency and The Tennessee Department of Natural Heritages' (TDNH) web site, there are fifty-five (55) threatened or endangered species indicated that may exist in Scott County. In referring to the USFWS' response, the Emerald Darter, *Etheostoma baileyi*, is the only known species identified that exists near the segment of rail proposed for abandonment. Since this species is a fish and no in-stream work is planned TRC does not anticipate any impact to this species. Additionally, with limited scope of the project action, harm to habitat or plant species of State concern will be minimal and no significant impact to those species is likely to result from project implementation. The complete list of these species, as listed on the TDNH website, has been included in **Appendix G** for reference.

(ii) Sanctuaries, Refuges and Parks

Based on the site investigation and comments received from government agencies, the line segment proposed for abandonment does not pass through any state parks or forests, national parks or forests, or wildlife sanctuaries. No adverse effects on any wildlife sanctuary, National Park or Forest, or State Park or Forest are anticipated.

9. WATER

(i) Water Quality Standards

TRC does not intend to either appreciably remove or alter the contour of the roadbed underlying the rail line to be abandoned. The areal extent of disturbed areas will be kept to a minimum and limited to the ROW wherever possible. Since there are no plans to undertake in-stream work, or dredge and/or fill any materials in connection with the proposed abandonment, no water quality impacts are expected in connection with the proposed action. Therefore, TRC considers the abandonment to be consistent with any applicable Federal, State, and/or local water quality standards.

(ii) Wetlands/100-Year Flood Plains

The rail line proposed for abandonment crosses Poplar Tree Branch, Walt Yancey Creek, Crosses Creek, Little Laurel Creek, Mud Cut Creek, Buffalo Creek, Mill Branch Creek, Montgomery Fork, Shoal Creek, Old House Branch and six unnamed waterways. The line proposed for abandonment passes through 100-year flood plains and wetlands associated with these streams.

The existing roadbed will not be removed. Removal of rail and ties is anticipated to occur. Because the geometry of the roadbed will not be significantly altered and since no in-stream work is contemplated in connection with the abandonment, no discernible effects on either 100-year flood plains or adjacent wetlands are expected in connection with the proposed abandonment. Consequently, TRC does not believe a Section 404 permit will be required in connection with the proposed abandonment.

(iii) Section 402 Permit

Inasmuch as TRC does not intend to either appreciably remove or alter the contour of the roadbed underlying the rail line to be abandoned, undertake significant in-stream work, or dredge and/or fill any materials in connection with the proposed abandonment, water quality effects should be negligible. TRC does not believe that a permit under Section 402 of the Federal Water Pollution Control Act will be required.

10. PROPOSED MITIGATION

Abandonment of the involved rail line is not expected to produce adverse environmental impacts which would require mitigation. Only minimal physical activity such as removal of rail, ties, and other railroad appurtenances will be produced by the proposed action.

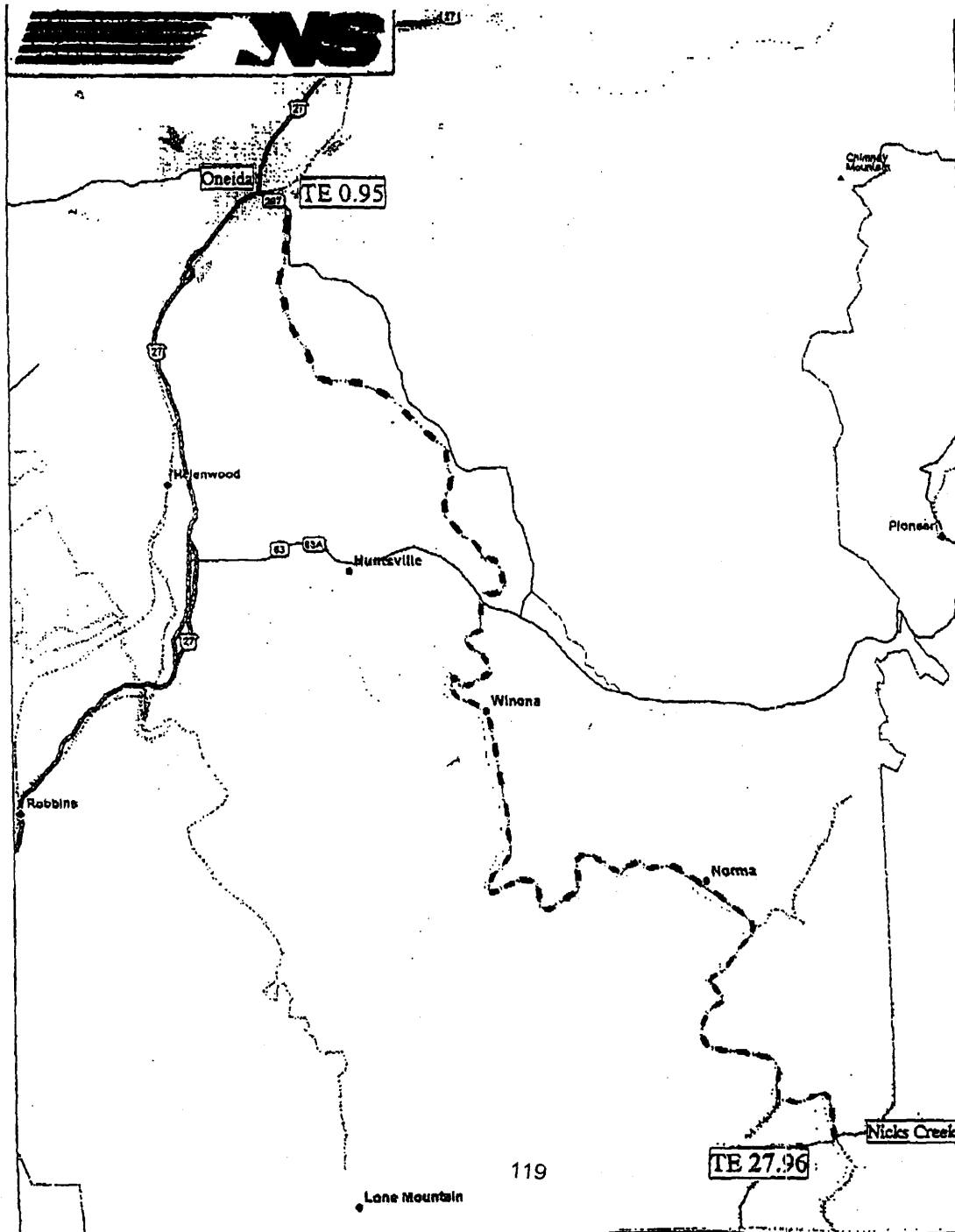
This Page Intentionally Left Blank

APPENDIX A

Site Map

***Tennessee Railway Company, a wholly owned
subsidiary of Norfolk Southern Railway***

Oneida, Tennessee
Proposed Abandonment NS District
MP TE 0.95 to MP TE 27.96



APPENDIX B

Agency Letter



Environmental Protection Department
110 Franklin Road, SE (Box 13)
Roanoke, VA 24042-0013

December 3, 2004

Dear Sir/Madam:

Tennessee Railway Company, a wholly owned subsidiary of Norfolk Southern Railway Company (NSR) plans to request authority from the Surface Transportation Board (STB) to abandon the segment of rail between Milepost TE 0.95 and Milepost TE 27.96, a distance of 27.01 miles from Oneida to Nick's Creek, Scott County, Tennessee. A map of the proposed track abandonment can be found in Appendix A of this Environmental Report for Proposed Rail Line Abandonment.

NSR does not anticipate any adverse environmental impacts; however, if you identify any adverse environmental impacts please describe any actions that would assist to alleviating such impacts. Additionally, you may provide us with a written response that can be included in an Environmental Report, which will be sent to the STB. The following page lists the various agencies receiving this report and the type of information NSR anticipates receiving from those agencies.

This report is also being provided so that you may submit information that will form the basis for the STB's independent environmental analysis of the proceeding. If you believe any of the information is incorrect, if you think pertinent information is missing, or if you have any questions about the Board's Environmental Review process, please contact the Section of Environmental Analysis (SEA), Room 3219, Surface Transportation Board, 1925 K Street, N.W., Washington DC 20423-001, Telephone (202) 565-1552 and refer to the above Docket. Because applicable statutes and regulations impose stringent deadlines for processing this action, your written comments (with a copy to us) would be appreciated within three weeks.

Your comments will be considered by the Board in evaluating the environmental impacts of the contemplated action. In order for us to consider your input prior to filing our application with the STB, NSR must receive your comments within three weeks. Please either provide a copy of your comments by mail at the address below or provide information by telephone to Mr. Larry Western at (540) 981-4239.

Norfolk Southern Railway Company
Larry G. Western
Environmental Protection Department
110 Franklin Road, SE (Box 13)
Roanoke, VA 24042-0013

Yours truly,

A handwritten signature in black ink, appearing to read 'K.R. Miller' with a stylized flourish at the end.

K .R. Miller
Director Environmental Engineering and Audits
Norfolk Southern Railway Company

Cy: L.G. Western
J.R. Paschall
J.M. Lipps

Re: Proposed Abandonment of the segment of rail between Milepost TE 0.95 and Milepost TE 27.96, a distance of 27.01 miles from Oneida to Nick's Creek, Scott County, Tennessee.

State Clearinghouse (or alternate):

State Clearinghouse
State Planning Office
500 Charlotte Avenue
309 John Sevier Building
Nashville, Tennessee 37219

U.S. Army Corps of Engineers:

Nashville District
P.O. Box 1070
Nashville, Tennessee 37202

State Historic Preservation Office:

Tennessee Historical Commission
2941 Lebanon Road
Nashville, TN 37243-0442

National Park Service:

Regional Office
100 Alabama Street SW
Atlanta, GA 30303

State Environmental Protection Agency:

Department of Environment and Conservation
401 Church Street
L&C Tower, 21st Floor
Nashville, Tennessee 37243-0435

State Coastal Zone Management Agency

Not Applicable

U.S. Natural Resources Conservation Service

USDA Natural Resources Service
675 US Courthouse
801 Broadway
Nashville, Tennessee 37203

Head of each County:

Scott County Executive
Dwight E. Murphy
P.O. Box 180
Huntsville, TN 37756

U.S. Fish and Wildlife:

Richard B. Russell Building, Room 1200
1875 Century Boulevard, Suite 200
Atlanta, GA 30345

National Geodetic Survey:

Mr. Richard Snay
Chairman At-Large
Chief of Spatial Reference System Division
1315 East/West Highway, Room 8813
Silver Spring, MD 20910

Environmental Protection Agency (regional office)

Sam Nunn Atlanta Federal Center
61 Forsyth Street, SW
Atlanta, GA 30303-3104

United States Department of Interior

USFWS Regional Office

Wally Brines
Cookeville, TN 38501
446 Neal Street

Tennessee Wildlife Resource Agency

Richard Kirk
Nongame/Endangered Species
P.O. Box 40747
Ellington Agricultural Center
Nashville, TN 37204

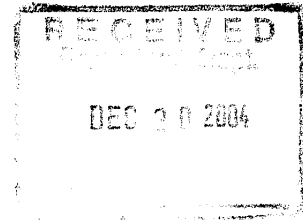
Appendix C

Agency Responses



December 15, 2004

TENNESSEE HISTORICAL COMMISSION
DEPARTMENT OF ENVIRONMENT AND CONSERVATION
2941 LEBANON ROAD
NASHVILLE, TN 37243-0442
(615) 532-1550



Mr. Larry G. Western
Environmental Protection Dept.
110 Franklin Rd. SE/Box 13
Roanoke, Virginia, 24042-0013

RE: STB, ABANDONMENT/TE0.95 TO TE 27.96, UNINCORPORATED, SCOTT COUNTY

Dear Mr. Western:

In response to your request, received on Tuesday, December 7, 2004, we have reviewed the documents you submitted regarding your proposed undertaking. Our review of and comment on your proposed undertaking are among the requirements of Section 106 of the National Historic Preservation Act. You have submitted documents that are insufficient for us to complete our review. To complete the Tennessee State Historic Preservation Office review of this undertaking, you will need to provide us with ALL of the following documents unless instructed otherwise by the Tennessee Historical Commission's Review and Compliance Coordinator: Please provide us with ALL of the following documents:

1. A letter requesting Section 106 review of your undertaking that should include: (a) The name of the federal agency funding, licensing, or permitting your undertaking. (b) The name, address, and phone number of the applicant for federal funding, licensing, or permitting. (c) The street address, city, and county of the undertaking. (d) A list of Consulting Parties invited to participate in consultation relative to the undertaking. (e) A USGS 7 1/2 minute topographic map (be sure to include the name of the map) clearly indicating the boundary of the undertaking, the location of all undertaking elements, and the undertaking's Area of Potential Effect. You may obtain such a map by contacting the Tennessee Office of Map Sales at (615) 532-1516.
2. Other suitably scaled maps or site plans as necessary to depict the extent of the undertaking and its locational relationship to its surroundings and environment.
3. A narrative which describes the undertaking in sufficient detail to enable a reader unfamiliar with the undertaking or its location to gain a full understanding of the undertaking and all of its elements and their potential to affect directly and indirectly any historic properties within the Area of Potential Effect.
4. Original chemical or digital photographs of the undertaking Area of Potential Effect that are numbered and clearly keyed to one of the above maps or site plans.
5. Any available information including dates of construction of buildings either inside the undertaking footprint or within view or sound of the undertaking. Be sure to include photographs of buildings within the undertaking's Area of Potential Effect.

Upon receipt of this documentation, we will complete our review of this undertaking as quickly as possible. Please be advised that until this office has provided you a final written comment on this undertaking, you have not met your Section 106 obligation under federal law. Please direct questions and comments to Joe Garrison (615) 532-1550-103. We appreciate your cooperation.

Sincerely,

Herbert L. Harper
Executive Director and
Deputy State Historic
Preservation Officer
HLH/jyg



UNITED STATES DEPARTMENT OF COMMERCE
National Oceanic and Atmospheric Administration
NATIONAL OCEAN SERVICE
National Geodetic Survey
Silver Spring, Maryland 20910-3282

DEC 16 2004



Ms. Victoria J. Rutson
Chief, Section of Environmental Analysis
Surface Transportation Board
1925 K Street, N.W.
Washington, D.C. 20423-0001

Dear Ms. Rutson:

The area in question on the map with the Environmental and Historic Reports for the proposed rail line abandonment of Tennessee Railway Company, Norfolk Southern Railway Company, between Milepost TE 0.95 and Milepost TE 27.96, a distance of 27.01 miles from Oneida to Nick's Creek, Scott County, Tennessee, STB Docket No. - Not Available, has been reviewed within the areas of National Geodetic Survey (NGS) responsibility and expertise and in terms of the impact of the proposed actions on NGS activities and projects.

As a result of this review, 3 geodetic station markers have been identified that may be affected by the proposed abandonment; a listing of these markers is enclosed. If there are any planned activities which will disturb or destroy these markers, NGS requires not less than 90 days notification in advance of such activities in order to plan for their relocation.

If further information is needed for these geodetic markers, contact Mr. Frank C. Maida. His address is NOAA, N/NGS2, Room 8736, 1315 East-West Highway, Silver Spring, Maryland 20910-3282, telephone: 301-713-3198, fax: 301-713-4324, e-mail: Frank.Maida@noaa.gov.

Sincerely,

Richard A. Snay
Chief, Spatial Reference System Division

Enclosures

cc: N/NGS1 - G. Mitchell
~~L. G. Western, Norfolk Southern
Railway Company~~



Printed on Recycled Paper



NORFOLK SOUTHERN RAILWAY COMPANY

THE TENNESSEE RAILWAY COMPANY

BETWEEN ONEIDA AND NICK'S CREEK

IN SCOTT COUNTY, TENNESSEE

DOCKET NO. - NOT AVAILABLE

3 GEODETIC CONTROL MARKS IN THE PROPOSED ABANDONMENT AREA

PIDS	DESIGNATION	LATITUDE	LONGITUDE
GB0535	TT 70 E	N362416	W0842702
GB0947	S 197	N362954	W0843046
GB0948	U 197	N362955	W0843039



United States Department of the Interior

FISH AND WILDLIFE SERVICE

446 Neal Street
Cookeville, TN 38501

January 20, 2005



Mr. Larry G. Western
Norfolk Southern Railway Company
Environmental Protection Department
110 Franklin Road, SE (Box 13)
Roanoke, Virginia 24042-0013

CV: J.M. LIPPS
JR PASCALL
ONEIDA TO NICKS CK FILE
1-24-05

Re: FWS #05-0387

Dear Mr. Western:

Thank you for your correspondence of December 3, 2004, regarding the Norfolk Southern Railway Company's proposed Tennessee Railway Company Line Abandonment Project in Scott County, Tennessee. The proposed project entails the abandonment of approximately 27.01 miles of rail line between Milepost 0.95 and Milepost 27.96 that currently extends from Oneida to Nick's Creek as shown on the attachments to your correspondence. Fish and Wildlife Service (Service) personnel have reviewed the information submitted and we offer the following comments.

Information available to the Service does not indicate that wetlands exist in the vicinity of the proposed project. However, our wetland determination has been made in the absence of a field inspection and does not constitute a wetland delineation for the purposes of Section 404 of the Clean Water Act. The Corps of Engineers and Tennessee Department of Environment and Conservation should be contacted if other evidence, particularly that obtained during an on-site inspection, indicates the potential presence of wetlands.

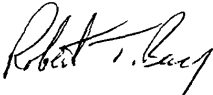
If bridges are removed, we recommend that silt barriers be put in place when working adjacent to all streams to prevent runoff of sediment. Streambanks should be reshaped to the original contour and reseeded with native vegetation beneficial to wildlife immediately following completion of bridge removal.

Endangered species collection records available to the Service do not indicate that federally listed or proposed endangered or threatened species occur within the impact area of the project. We note, however, that collection records available to the Service may not be all-inclusive. Our data base is a compilation of collection records made available by various individuals and resource agencies. This information is seldom based on comprehensive surveys of all potential habitat and thus does not necessarily provide conclusive evidence that protected species are

present or absent at a specific locality. However, based on the best information available at this time, we believe that the requirements of section 7 of the Endangered Species Act of 1973, as amended, are fulfilled. Obligations under section 7 of the Act must be reconsidered if (1) new information reveals impacts of the proposed action that may affect listed species or critical habitat in a manner not previously considered, (2) the proposed action is subsequently modified to include activities which were not considered during this consultation, or (3) new species are listed or critical habitat designated that might be affected by the proposed action.

Thank you for the opportunity to comment on this action. If you have any questions regarding the information which we have provided, please contact Wally Brines of my staff at 931/528-6481, extension 222.

Sincerely,


for Lee A. Barclay, Ph.D.
Field Supervisor

Appendix D
Certification of Environmental Report
Recipients

State Clearinghouse (or alternate):

State Clearinghouse
State Planning Office
500 Charlotte Avenue
309 John Sevier Building
Nashville, Tennessee 37219

State Historic Preservation Office:

Tennessee Historical Commission
2941 Lebanon Road
Nashville, TN 37243-0442

State Environmental Protection Agency:

Department of Environment and Conservation
401 Church Street
L&C Tower, 21st Floor
Nashville, Tennessee 37243-0435

State Coastal Zone Management Agency

Not Applicable

Head of each County:

Scott County Executive
Dwight E. Murphy
P.O. Box 180
Huntsville, TN 37756

National Geodetic Survey:

Mr. Richard Snay
Chairman At-Large
Chief of Spatial Reference System Division
1315 East/West Highway, Room 8813
Silver Spring, MD 20910

**United States Department of Interior
USFWS Regional Office**

Wally Brines
446 Neal Street
Cookeville, TN 38501

U.S. Army Corps of Engineers:

Nashville District
P.O. Box 1070
Nashville, Tennessee 37202

National Park Service:

Regional Office
100 Alabama Street SW
Atlanta, GA 30303

**U.S. Natural Resources Conservation
Service**

USDA Natural Resources Service
675 US Courthouse
801 Broadway
Nashville, Tennessee 37203

U.S. Fish and Wildlife:

Richard B. Russell Building, Room 1200
1875 Century Boulevard, Suite 200
Atlanta, GA 30345

**Environmental Protection Agency
regional office)**

Sam Nunn Atlanta Federal Center
61 Forsyth Street, SW
Atlanta, GA 30303-3104

Tennessee Wildlife Resource Agency

Richard Kirk
Nongame/Endangered Species
Ellington Agricultural Center
P.O. Box 40747
Nashville, TN 37204

Proposed Abandonment of the segment of rail between Milepost TE 0.95 and Milepost TE 27.96, a distance of 27.01 miles from Oneida to Nick's Creek, Scott County, Tennessee.

This Environmental Report for Proposed Rail Line Abandonment was sent to the above referenced agencies on

12/03/04
Date

K.R. Miller
K.R. Miller, Director Environmental Engineering and Audits

APPENDIX E

Fugitive Dust Regulation

April, 2001 (Revised) 1

**RULES
OF
TENNESSEE DEPARTMENT OF ENVIRONMENT AND CONSERVATION
BUREAU OF ENVIRONMENT
DIVISION OF AIR POLLUTION CONTROL
CHAPTER 1200-3-8
FUGITIVE DUST
TABLE OF CONTENTS**

1200-3-8-.01 Fugitive Dust 1200-3-8-.03 New and/or Modified Source
1200-3-8-.02 Special Additional Control Area
Fugitive Dust Requirements

1200-3-8-.01 FUGITIVE DUST.

- (1) No person shall cause, suffer, allow, or permit any materials to be handled, transported, or stored; or a building, its appurtenances, or a road to be used, constructed, altered, repaired, or demolished without taking reasonable precautions to prevent particulate matter from becoming airborne. Such reasonable precautions shall include, but not be limited to, the following:
- (a) Use, where possible, of water or chemicals for control of dust in demolition of existing buildings or structures, construction operations, grading of roads, or the clearing of land;
 - (b) Application of asphalt, oil, water, or suitable chemicals on dirt roads, material stock piles, and other surfaces which can create airborne dusts;
 - (c) Installation and use of hoods, fans, and fabric filters to enclose and vent the handling of dusty materials. Adequate containment methods shall be employed during sandblasting or other similar operations.
- (2) No person shall cause, suffer, allow, or permit fugitive dust to be emitted in such manner to exceed five (5) minutes per hour or twenty (20) minutes per day as to produce a visible emission beyond the property line of the property on which the emission originates, excluding malfunction of equipment as provided in Chapter 1200-3-20.
- (3) Compliance Schedule.
- (a) For those operations in existence before April 3, 1972, fugitive dust control must be achieved by August 9, 1973.

(b) For those operations, the construction of which commences after April 3, 1972, fugitive dust control must be achieved at the time operation commences.
(4) Regardless of the specific emission standards contained in this Chapter, all sources identified in rule 1200-3-9-.01(4) of these regulations shall comply with the standards set pursuant to Chapter 1200-3-9.

Authority: T.C.A. §§53-3412, 68-25-105 and 4-5-202. *Administrative History:* Original rule certified June 7, 1974. Amendment filed May 7, 1979; effective June 21, 1979. Amendment filed June 21, 1979. Amendment filed July 11, 1980.

1200-3-8-.02 SPECIAL ADDITIONAL CONTROL AREA FUGITIVE DUST REQUIREMENTS.

Certain areas of the state have been identified as needing additional control beyond that required by this Chapter.

These areas and the additional control requirements are stated in Chapter 1200-3-19.

APPENDIX F

At-Grade Crossings

Public Crossings:

1.	MP	TE	1.30	
2.	MP	TE	2.10	Carson Road
3.	MP	TE	4.53	Old Almay Road
4.	MP	TE	7.20	Cross' Crossing
5.	MP	TE	9.10	State Route 63
6.	MP	TE	9.48	Unprotected Crossing
7.	MP	TE	10.05	River Junction
8.	MP	TE	12.80	Winona Rod
9.	MP	TE	12.89	Unprotected Crossing
10.	MP	TE	13.32	Unprotected Crossing
11.	MP	TE	13.40	Unprotected Crossing
12.	MP	TE	14.10	Unprotected Crossing
13.	MP	TE	15.68	Cordell Road
14.	MP	TE	21.10	
15.	MP	TE	26.30	

Private Crossings:

1.	MP	TE	2.20	13.	MP	TE	15.20
2.	MP	TE	2.30	14.	MP	TE	15.40
3.	MP	TE	2.62	15.	MP	TE	19.08
4.	MP	TE	2.77	16.	MP	TE	19.95
5.	MP	TE	3.22	17.	MP	TE	20.75
6.	MP	TE	3.58	18.	MP	TE	21.50
7.	MP	TE	3.62	19.	MP	TE	21.85
8.	MP	TE	4.08	20.	MP	TE	22.26
9.	MP	TE	5.20	21.	MP	TE	22.88
10.	MP	TE	11.90	22.	MP	TE	23.86
11.	MP	TE	12.67	23.	MP	TE	24.09
12.	MP	TE	13.80				

APPENDIX G

Hazardous Materials Record Search

G. WESTERN 7-981-4069
07-09-99

1-a-TN-12

tion./LGN

MESSAGE FORM 2090-0

REV. 08/19/98

SPILLS, DISCHARGES, AND RELEASES REPORT:

OTHER SPILLS & RELEASES

I

PORT STATUS - (MARK ALL THAT APPLY WITH AN "X"):

X INITIAL REPORT FOLLOW-UP REPORT FINAL REPORT

INCIDENT LEVEL & LOCATION - (MARK WITH AN "X"):

INCIDENT LEVEL: X LEVEL I LEVEL II LEVEL III
INCIDENT LOCATION: YARD X LINE OF ROAD

INCIDENT IDENTIFICATION:

INCIDENT DATE (MMDDYY): 070899 INCIDENT TIME (HHMM): 1230

EQUIPMENT NUMBER OR DESCRIPTION IF APPLICABLE:

1978 MACK 2 TON DUMP TRUCK OWNED AND OPERATED BY UNITED RAIL
SERVICE SOMERSET, KY

INCIDENT LOCATION:

CITY: ONEIDA STATE: TN COUNTY: SCOTT

ROUTE/STREET: MILEPOST: TE 3.8

MATERIAL(S) NAME: NO. 2 DIESEL FUEL

ESTIMATED QUANTITY RELEASED: 40 GAL.

PART II

CONSEQUENCES OF INCIDENT:

INJURIES? YES X NO
EVACUATION? YES X NO
WATERWAYS AFFECTED? YES X NO
ENVIRONMENTAL DAMAGE? YES X NO

LAND USE AT INCIDENT SITE:

INDUSTRIAL COMMERCIAL RESIDENTIAL
AGRICULTURAL UNDEVELOPED X RAILROAD

COMMUNITY TYPE AT SITE:

1-911-4069
07-09-99

1-9-TN-12

SUBURBAN X RURAL

DESCRIPTION OF EVENTS:

DEcribe INCIDENT (INCLUDE CAUSE AND ACTIONS TAKEN AT TIME

UNITED RAIL SERVICE EMPLOYEE UNLOADING BRIDGE TIES AT MP TE 3.8
WHEN A PIECE OF TIMBER RUPTURED FUEL LINE ON 1978 MACK 2 TON DUMP
TRUCK ALLOWING 40 GAL DIESEL FUEL SPILL. UNITED RAIL SERVICE
TRACTOR BASED IN SOMERSET, KY.

INFORMATION RECEIVED FROM: RD PATTON B&B SUP DATE (MMDDYY): 070899
TIME (HHMM): 1430

RECTIVE ACTION:

WHAT WAS DONE TO CORRECT INCIDENT:
CONTAMINATED SOIL REMOVED AND DISPOSED OF PROPERLY

PROVIDE THE FOLLOWING INFORMATION PERTAINING TO WHO CLEANED-UP
SPILL:

COMPANY NAME:	LOCATION
CONTACT PERSON	PHONE #:
DATE ARRIVED SCENE (MMDDYY):	TIME ARRIVED SCENE (HHMM):
DATE DEPARTED SCENE (MMDDYY):	TIME DEPARTED SCENE (HHMM):

IV - INCIDENT FOLLOW-UP:

IS ANY FURTHER ACTION NECESSARY? EXPLAIN:
NE

CLEAN-UP COST INFORMATION:

PROVIDE ANY COST AVAILABLE AT THIS TIME:
CONTACT NAME FOR FUTURE COST INFORMATION:
CONTACT NUMBER FOR CONTACT LISTED ABOVE:

V - NOTIFICATION CHECKLIST:

			(MMDDYY)	(HHMM)
ENV PROTECTION:	J OLIVER	DATE & TIME:	070899	1235
TE AGENCIES:	TN EPA NEECE	DATE & TIME:	070899	1435
TE AGENCIES:	D DALE DIV ENG	DATE & TIME:	070899	1435
AL AGENCIES:	D DAVID ONEID SHOPS	DATE & TIME:	070899	1435
AL AGENCIES:	JR WATERS, DIV SUPT	DATE & TIME:	070899	1435
E DEPARTMENT:		DATE & TIME:		
ER:		DATE & TIME:		
ER:		DATE & TIME:		
-ATLANTA: MEMO 2090:	X PHONE: X	DATE & TIME:	070899	1435

773-44
-981-4069
07-09-99

THIS REPORT: NAME: DSFLOYD
TITLE:

(MEMOID of Chief Dispatcher to review form PRIOR to
submission to GST or leave blank to send directly
to GST-ATLANTA.)

PRESS <F5> TO SAVE, THEN <F3> TO SEND

VII

Section must be completed by the General Superintendent
transportation as applicable for all initial reports. For Level I
incidents the report should be forwarded to the SPILLS1 distribution
and for Level II or III incidents the report should be
forwarded to the SPILLS2 distribution list.

CTIONS CONTROL CENTER CONTACT RECORD:

(MMDDYY) (HHMM)
900-424-8802: Name P/O PENDLETON DATE & TIME: 070899 1517
NRC Report #: 490580

3: Name DATE & TIME: _____

PREPARING THIS REPORT: NAME: W.K.BRINSON
TITLE: TRNS.COORD.
GST: RSH

PRESS <F5> TO SAVE, THEN <F3> TO SEND

iesel spill

APPENDIX H
Federal and State Threatened and
Endangered Species Listings

Rare Species of Scott County

The following is a list of the rare species found in Scott County. This list was compiled by the Division of Natural Heritage and last updated on July 26, 2004.

- Tennessee's Rare Plant List
- Rare and Endangered Vertebrate List of Tennessee
- Rare and Endangered Invertebrate List of Tennessee

Scott County					
ALL PLANTS					
Scientific Name	Common Name	Federal Status	State Status	State Rank	Global Rank
<i>AGERATINA LUCIAE-BRAUNIAE</i>	Lucy Braun's White Snakeroot		T	S3	G3
<i>ARENARIA CUMBERLANDENSIS</i>	Cumberland Sandwort	LE	E	S2	G2
<i>ASTER SAXICASTELLII</i>	Rockcastle Aster		E	S1S2	G1G2
<i>BOTRYCHIUM JENMANII</i>	Alabama Grapefern		T	S1	G3G4
<i>BRYOXIPHIMUM NORVEGICUM</i>	Sword Moss		T	S1	G5?
<i>CALAMOVILFA ARCUATA</i>	Cumberland Sandgrass		E	S2	G2
<i>CHRYSOGONUM VIRGINIANUM</i>	Green-and-gold		T	S2	G5
<i>COMPTONIA PEREGRINA</i>	Sweet-fern		E	S1	G5
<i>CONRADINA VERTICILLATA</i>	Cumberland Rosemary	LT	T	S3	G3
<i>CORALLORHIZA MACULATA</i>	Spotted Coralroot		T	S1	G5
<i>CORYDALIS SEMPERVIRENS</i>	Pale Corydalis		E	S1S2	G4G5
<i>CYPRIPEDIUM ACAULE</i>	Pink Lady's-slipper		E-CE	S4	G5
<i>CYPRIPEDIUM KENTUCKIENSE</i>	Southern Lady's-slipper		E	S2	G3
<i>ERIOPHORUM VIRGINICUM</i>	Tawny Cotton-grass		T	S1S2	G5

<i>FOTHERGILLA MAJOR</i>	Mountain Witch-alder		T	S2	G3
<i>HYDROCOTYLE AMERICANA</i>	American Water-pennywort		E	S1	G5
<i>HYMENOPHYLLUM TAYLORIAE</i>	Gorge Filmy Fern		S	S2	G1G2
<i>JUGLANS CINEREA</i>	Butternut		T	S3	G3G4
<i>LILIUM CANADENSE</i>	Canada Lily		T	S3	G5
<i>LILIUM PHILADELPHICUM</i>	Wood Lily		E	S1	G5
<i>MARSHALLIA GRANDIFLORA</i>	Large-fl. Barbara's-buttons		E	S2	G2
<i>POTAMOGETON TENNESSEENSIS</i>	Tennessee Pondweed		T	S2	G2
<i>SOLIDAGO SIMPLEX SSP RANDII</i>	Sticky Goldenrod		T	S1S2	G5T5
<i>SPIRAEA VIRGINIANA</i>	Virginia Spiraea	LT	E	S2	G2
<i>TALINUM TERETIFOLIUM</i>	Roundleaf Fameflower		T	S2	G4
<i>THUJA OCCIDENTALIS</i>	Northern White Cedar		S	S3	G5
<i>TRICHOMANES BOSCHIANUM</i>	Bristle-fern		T	S1S2	G4

INVERTEBRATES - Crustaceans

Scientific Name	Common Name	Federal Status	State Status	State Rank	Global Rank
<i>CAMBARUS BOUCHARDI</i>	Big South Fork Crayfish		E	S1	G2G3

INVERTEBRATES - Molluscs

Scientific Name	Common Name	Federal Status	State Status	State Rank	Global Rank
<i>ALASMIDONTA ATROPURPUREA</i>	Cumberland Elktote	LE	E	S1S2	G1G2
<i>EPIOBLASMA BREVIDENS</i>	Cumberlandian Combshell	LE	E	S1	G1
<i>EPIOBLASMA FLORENTINA WALKERI</i>	Tan Riffleshell	LE	E	S1	G1T1
<i>PEGIAS FABULA</i>	Little-wing Pearlymussel	LE	E	S1	G1

<i>VILLOSA TRABALIS</i>	Cumberland Bean	LE	E	S1	G1
VERTEBRATES - Fishes					
Scientific Name	Common Name	Federal Status	State Status	State Rank	Global Rank
<i>ETHEOSTOMA CINEREUM</i>	Ashy Darter		T	S2S3	G2G3
<i>ETHEOSTOMA PERCNURUM</i>	Duskytail Darter	LE	E	S1	G1
<i>ETHEOSTOMA BAILEYI</i>	Emerald Darter	LE	E	S1	G2
<i>PHOXINUS CUMBERLANDENSIS</i>	Blackside Dace	LT	T	S2	G2

State Status

E

Endangered Species means any species or subspecies of plant whose continued existence as a viable component of the state's flora is determined by the Commissioner to be in jeopardy, including but not limited to all species of plants determined to be "endangered species" pursuant to the Endangered Species Act.

T

Threatened Species means any species or subspecies of plant which appears likely, within the foreseeable future, to become endangered throughout all or a significant portion of its range in Tennessee, including but not limited to all species of plants determined to be a "threatened species" pursuant to the Endangered Species Act.

Federal Status

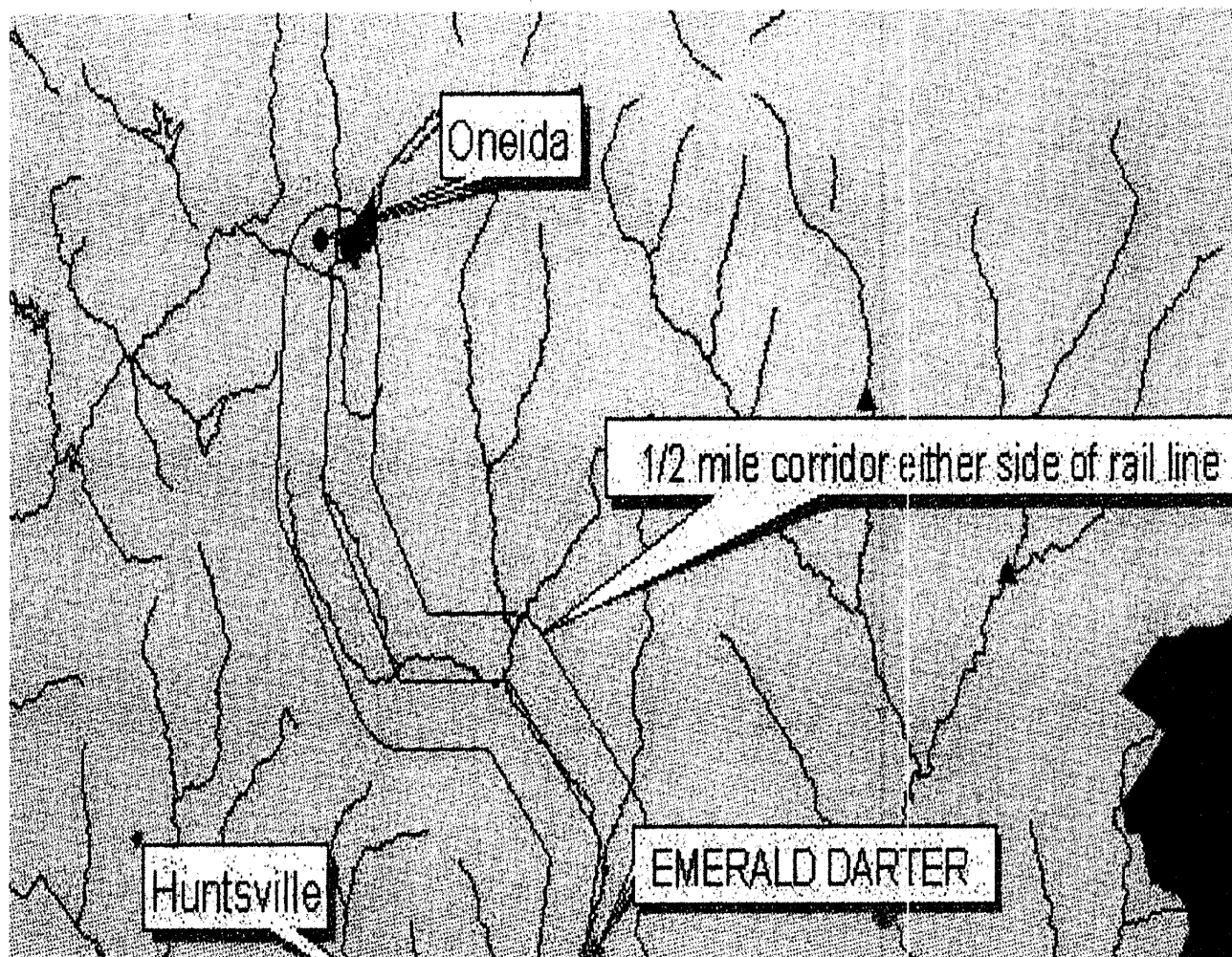
Federally listed species are protected by the Endangered Species Act of 1973 (as amended). The list is administered and determined by the US Fish and Wildlife Service.

LE

Listed Endangered, the taxon is threatened by extinction throughout all or a significant portion of its range.

LT

Listed Threatened, the taxon is likely to become an endangered species in the foreseeable future.



*Map provided by the U.S Fish and Wildlife Service –
Cookeville, TN. The arrow indicating the presence of the
Emerald Darter is pointing to the end of the subject line at Nicks
Creek.*

Field definitions for DNH data supplied to EACs

EOCODE	Code which is used to identify a particular record in DNH's database. If you have a question about this record please include the code with your inquiry.
PRECISION	The precision of mapping whether to seconds (S) minutes (M) or general i.e. to quadrangle level (G).
EORANK	The element occurrence rank. All you need to be concerned with is X for extirpated or H for historic. Please do not confuse E for extirpated.
SNAME	Scientific name of the species.
SCOMNAME	Common name as recognized in Tennessee.
GRANK	The global rank of the species. The meaning of these codes can be found at DNH's web site.
SRANK	The state rank of the species. The meaning of these codes can be found at DNH's web site.
USESA	The federal listing as declared by the U.S. Fish and Wildlife Service.
EX_STSTAT	The legal status from the state of Tennessee.
EX_COUNAME	County name.
EX_QUADNAME	The name of the 7.5" USGS topographic quadrangle.
DDLAT	Latitude in decimal degrees.
DDLONG2	Longitude in decimal degrees.
LAT	Latitude in degrees minutes seconds.
LONG	Longitude in degrees minutes seconds.
EX_DIR1	The first 254 characters of the directions.
EX_DIR2	The last 254 characters of the directions.
LASTOBS	The last time the population of plants or animals was observed.
SURVEYDATE	The last time the species was surveyed for at that site.
EX_GENDES1	The general description of the site.
EX_GENDES2	The last 254 characters of the general description.
ELEV	Elevation in feet.
ET.WETCODE	The wetland indicator status for animals as determined by the US Army Corps of Engineers.
WATERSHED	The 8 digit hydrologic unit code.

EOCODE	PRECISION	EO RANK	SNAME	SCOMNAME	GRANK
AFCQC02130*045*TN	S	E	ETHEOSTOMA CINEREUM	ASHY DARTER	G2G3
PMORC000F0*001*TN	S	A	CYPRIPEDIUM KENTUCKIENSE	SOUTHERN LADY'S-SLIPPER	G3
AFCQC02910*017*TN	S	E	ETHEOSTOMA BAILEYI	EMERALD DARTER	G4G5
AAAAD03090*007*TN	S		DESMOGNATHUS WELTERI	BLACK MOUNTAIN DUSKY SALAMANDER	G4

SRANK	USESA	EX_STSTAT	EX_COUNAME	EX_QUADNAM	DDLAT	DDLONG2	LAT	LONG
S2S3	MC	T	Campbell	BLOCK	36.269444	-84.340556	361610N	0842026W
S1S2		E	Scott	HUNTSVILLE	36.392500	-84.464444	362333N	0842752W
S2		D	Campbell	BLOCK	36.269444	-84.340556	361610N	0842026W
S3		D	Campbell	BLOCK	36.251944	-84.337778	361507N	0842016W

EX_DIR1	EX_DIR2	LASTOBS
"NICKS CREEK UPSTREAM OF RR TRESTLE OFF NICKS CREEK ROAD, CAMPBELL CO."		1996-07-17
NEW RIVER, UPSTREAM AND DOWNSTREAM FROM MOUTH OF SLICKROCK BRANCH.		1998-05
"NICKS CREEK UPSTREAM OF RR TRESTLE OFF NICKS CREEK ROAD, CAMPBELL CO."		1996-07-17
SMALL UNNAMED TRIB TO NEW RIVER, 1.3MI NNW OF SHEA		1977-08-20

SURVEYDATE	EX_GENDES1	EX_GENDES2	ELEV	ET_WETCODE	WATERSHED
			1240		05130104
	ALONG FLOODPLAIN TERRACES, NEW RIVER.		1160		05130104
			1240		05130104
			1600		05130104

HISTORIC REPORT
PROPOSED RAIL LINE ABANDONMENT

PROPOSED ACTION AND ALTERNATIVES

Tennessee Railway Company, a wholly owned subsidiary of Norfolk Southern Railway Company (NSR) proposes to abandon 27.01 miles of rail line between milepost TE-0.95 near Oneida and milepost TE-27.96 at Nick's Creek, in Scott County, Tennessee. A map delineating the line proposed for abandonment is attached as Appendix "A".

The alternatives to abandonment of the line are to not abandon or to discontinue service on the line, retaining the trackage in place. Neither of these alternatives is economically feasible for NSR.

ADDITIONAL INFORMATION

- 1) **U.S.G.S. Topographic Map** -- Maps were furnished to the Tennessee Historical Commission.
- (2) **Written Description of Right of Way** -- The right of way width varies but is generally 50 feet on each side of the main track centerline. The line passes through undeveloped (60%), residential (15%), agricultural (10%) and industrial (5%) areas.
- (3) **Photographs** -- Photographs were furnished to the Tennessee Historical Commission.
- (4) **Date of Construction of Structures** -- Construction dates are shown on the Bridges and Structures Listing attached to this report.
- (5) **History of Operations and Changes Contemplated** -- The Petition for Exemption to the Surface Transportation Board (STB) to abandon a line of railroad of Tennessee Railway Company ("TNRC"), a wholly-owned subsidiary of Norfolk Southern

Railway Company ("NSR"), that is related to this report, and this report itself, concern an approximately 27.01-mile railroad line between Milepost TE-0.95 near Oneida, Tennessee and Milepost TE-27.96 at Nick's Creek, Tennessee (the "Line"). The Line was part of the approximately 44.65-mile railroad line between Oneida, Tennessee and Fork Mountain, Tennessee that was built between 1904 and 1908 by a predecessor railway company, also named Tennessee Railway Company. The Oneida-Nick's Creek segment of the Line is in Scott County, Tennessee.

Only one active shipper has been located along this Line for several years. National Coal Company recently bought the only actively operating coal mine located along the Line at approximately Milepost TE-26.25 at Smokey Junction, Tennessee. The previous long-time owner and operator of the mine was U. S. Coal Company. Since March 2004, National Coal Company has made its coal shipments via truck to Turley, Tennessee on another NSR line in the area. The coal is loaded in rail cars at Turley for further shipment via railroad. The Line and adjacent segment to Devonia, Tennessee comprise a dead-end branch line. Therefore, no overhead shipments have moved or are moving over the Line.

The current Tennessee Railway Company is a successor to the company that built the Line. TNRC has been a wholly-owned subsidiary of Norfolk Southern Railway Company and its predecessor, Southern Railway Company, since 1973. On December 30, 2004, TNRC filed a Notice of Exemption in STB Docket No. AB-290 (Sub-No. 259X), *Tennessee Railway Company -- Abandonment Exemption -- In Anderson and Campbell Counties, TN* (STB Notice of Exemption served January 19, 2005) to abandon the adjacent approximately 14.04-mile railroad line between Milepost TE-27.96 at Nick's Creek, Tennessee and the dead end of the branch line at approximately Milepost TE-42.0 at Devonia, Tennessee. The two line

segments comprise almost all of the remaining railroad line of the Tennessee Railway Company.

According to company records, the original Tennessee Railway Company was chartered April 19, 1904. The Tennessee Railway Company was incorporated May 17, 1904, under the general laws of the State of Tennessee according to the Interstate Commerce Commission (ICC) valuation report, which was dated as of June 30, 1918. After the Tennessee Railway Company incorporated in 1904, the company established its headquarters at Oneida, Tennessee. The Tennessee Railway Company was chartered for the purpose of operating an approximately 45.0-mile line of railroad between Oneida, Tennessee and Fork Mountain, Tennessee.

The Tennessee Railway Company constructed its railroad line mainly in order to provide transportation service for coal mines in the vicinity of the New River. The TNRC also served several sawmills along its line during its early years of operation.

The Tennessee Railway Company was operated by its own organization until it entered receivership on July 1, 1913. Bird M. Robinson was the receiver.

Tennessee Railway Company initially acquired 8.51 miles of private railroad line from Bird M. Robinson on July 13, 1904. A secondary source identifies this private railroad line as the line of the Paint Rock Coal and Coke Company. This railroad line consisted of a 6-mile segment between Oneida, Tennessee and Jakes Branch, Tennessee and 2.51 miles of branch lines and spur tracks. No definitive information concerning the exact dates of construction of these private railroad line segments is available. TNRC did not report the construction dates the ICC in connection with the valuation of the company's property. Based on secondary information and assumptions, it appears these initial private railroad

track segments were built between 1897 and 1904.

The Tennessee Railway Company extended the initial line by approximately 23 miles from Oneida, Tennessee to Smokey, Tennessee by 1907 and by another 12 miles to Straight Fork, Tennessee by 1908. By 1912, the Tennessee Railway Company line reached the vicinity of Fork Mountain, Tennessee. TNRC's highest total track mileage, including spur and yard tracks, was between 63 and 65 miles at the completion of its construction in 1918.

In addition to the line acquired from Mr. Robinson, Tennessee Railway Company constructed 56.67 miles of railroad line between the locations and during the years as follows:

- 4.00 miles between Jakes Branch, TN and River Junction, TN, 1904-1905;
- 20.00 miles between River Junction, TN and Beech Fork, TN, 1905-1910;
- 14.23 miles of branches and spurs, 1905-1910;
- 2.5 miles of main line extensions, 1910-1913;
- 2.5 miles of branches and spurs;
- 8.22 miles of main line extensions, 1913-1918;
- 5.22 miles of branches and spurs, 1913-1918;

TNRC abandoned 8.73 miles of line prior to June 30, 1918.

Despite the rugged terrain where the Line is located, the ICC identified only one metal bridge on the entire Tennessee Railway Company line, a 150-foot through-truss span on two concrete piers over the New River, in the 1918 valuation report. The bridge is not further identified in the report. The referenced bridge was most likely a predecessor of the bridge over the New River that is located at Milepost TE-40.46. That location is not on the subject segment of the Line. The current bridge at that location, which is shown in NSR's bridge list as two sets of spans totaling 254.48 feet in length, was rebuilt in 1981. The other structures on the Line evidently were wooden trestles or bridges that were subsequently replaced. NSR records indicate the early structures on the Line have been replaced over the years with

metal or other more modern materials. The original Line was lightly graded and mostly full earth surfaced. Only the first mile was ballasted with cinders. NSR, as operator of TNRC, performed a full timbering and re-surfacing of the Line in 1989. Revenue from shipments over the Line in recent years has not justified capital re-investment in the Line. NSR has performed only routine maintenance work for the Line since 1989. The Line was constructed with 75, 70 and 60 pound per yard re-lay rail, which was improved to 70 to 112 pound rail by the time of Tennessee Railway Company's acquisition by Southern Railway Company in 1973. Bridges and other structures on the Line now would require substantial rehabilitation in order for NSR to provide continued service over the Line.

Tennessee Railway Company's only connection to the national rail system at the time of its construction was, and its only connection thereafter has been, with the line of Southern Railway Company's Cincinnati, New Orleans and Texas Pacific Railway Company subsidiary (lessor of the Cincinnati Southern Railway line) at Oneida, Tennessee.

The records available to the ICC in 1918 showed that the Tennessee Railway Company received no aids, gifts, grants or donations in connection with the construction of its railroad line.

Tennessee Railway Company's property was sold at foreclosure on February 14, 1918 and was surrendered on February 15, 1918 to J. N. Baker, trustee for the purchasers. The purchasers reorganized the company as Tennessee Railroad Company on June 28, 1918.

On June 30, 1918, Tennessee Railroad Company, Tennessee Railway Company's successor, operated a 41.222-mile line between Oneida, Tennessee and a point about 3 miles beyond Rosedale, Tennessee, with a 4.987-mile branch line between Smoky Junction, Tennessee and Newland, Tennessee. That branch line subsequently was abandoned.

TNRC also owned 14.329 miles of yard track and sidings on June 30, 1918. The Tennessee Railway Company extended its line by approximately 3.43 miles to Fork Mountain, Tennessee later in 1918. On a date not disclosed by company records or other research, TNRC abandoned a segment of the Line between Milepost 42.0 at Devonia, Tennessee and Milepost 44.65 at Fork Mountain, Tennessee.

The papers of Samuel Spencer, first president of Southern Railway Company, in the Manuscripts Department, Library of the University of North Carolina at Chapel Hill Southern Historical Collection #3477 contain materials from 1915-1919, of his son, Henry B. Spencer, relating to the Tennessee Railway Company.

A receiver for the Tennessee Railroad Company was appointed on January 22, 1921 but the company was able to work out its financial problems. The receivership court proceeding subsequently was dismissed.

An iron furnace at LaFollette in Campbell County closed in 1926.

Tennessee Railroad Company entered into receivership on July 1, 1959 and operated under receivership until it was acquired by Southern Railway Company. The company was re-incorporated in Tennessee as Tennessee Railway Company on January 15, 1973 in anticipation of its reorganization by Southern Railway Company. Southern Railway Company had agreed to acquire the Tennessee Railway Company, subject to ICC approval, in September 1972.

Southern Railway Company acquired Tennessee Railway Company out of receivership on August 1, 1973 for 20,000 shares of Southern Railway Company common stock, pursuant to ICC approval in ICC Finance Docket No. 27315. The former Tennessee Railway Company line has since been known as the Oneida Branch first of Southern Railway

Company, now of Norfolk Southern Railway Company.

Norfolk Southern Railway Company currently holds all common stock of Tennessee Railway Company (100 shares of no par common voting stock). As of the preparation date of this report, Tennessee Railway Company owned 42 miles of railroad line between Oneida, Tennessee and Devonia, Tennessee. TNRC would abandon all of this line except a 0.95-mile segment near Oneida, Tennessee pursuant to the exemptions sought from the STB in the subject proceeding and through the notice of exemption that is identified in the third paragraph of this narrative.

Southern Railway Company was incorporated under the laws of the Commonwealth of Virginia on June 18, 1894. Southern Railway Company was successor to Richmond and West Point Terminal Railway and Warehouse Company (incorporated in 1880) and its subsidiaries, including principal subsidiaries Richmond and Danville Railroad Company (1847), the East Tennessee, Virginia and Georgia Railway Company (1887), Charlotte, Columbia and Augusta Railroad Company (1869), Virginia Midland Railway Company (1880), Columbia and Greenville Railroad Company (1880), Western North Carolina Railroad Company (1880) and Georgia Pacific Railway Company (1881). Except for leased lines of the Atlanta and Charlotte Air Line Railway Company (1877) and the North Carolina Railroad Company (1868), these railroads were declared insolvent and placed in receivers' hands in 1892. In 1894, these insolvent railroads were sold at foreclosure sales and deeded to the Southern Railway Company. Southern Railway Company also then leased the Atlanta and Charlotte Air Line Railway Company and North Carolina Railroad Company properties. Southern Railway Company acquired several other smaller companies in 1894. After its acquisitions and leases in 1894, Southern Railway Company operated 4,432 miles of railway

line, 3,940 miles of which were owned and 492 miles of which were leased.

Norfolk and Western Railway Company was incorporated by special act of Virginia approved on January 15, 1896, and succeeded, under a plan of reorganization, to the properties of Norfolk and Western Railroad Company, the Lynchburg and Durham Railroad Company (that had been sold first to the Norfolk, Lynchburg and Durham Railroad Company) and the Roanoke and Southern Railway Company (that had been sold first to the Norfolk, Roanoke and Southern Railroad Company). The two companies in parentheses were organized on the dates of purchase for the sole purpose of acquiring and transferring the property of the named companies to Norfolk and Western Railway Company.

Norfolk Southern Corporation, a non-carrier holding company, was incorporated in the Commonwealth of Virginia on July 23, 1980. Based on an Agreement of Merger and Reorganization, dated July 31, 1980, and eventual Interstate Commerce Commission approval, Norfolk Southern Corporation acquired control of Norfolk and Western Railway Company and Southern Railway Company and their subsidiaries. At the time of the Norfolk Southern consolidation, Norfolk and Western Railway Company was headquartered in Roanoke, Virginia. Southern Railway Company was headquartered in Washington, DC with a substantial number of offices in Atlanta, Georgia.

On December 4, 1980, Norfolk Southern Corporation, Norfolk and Western Railway Company, and Southern Railway Company filed a joint application to the ICC in Finance Docket No. 29430 (Sub-No. 1), pursuant to which they sought authority under 49 U.S.C. 11343 for Norfolk Southern Corporation to acquire control through stock ownership of Norfolk and Western Railway Company and its subsidiary carrier companies, and of Southern Railway Company and its consolidated system companies.

Under approval granted by the ICC in Finance Docket No. 29430 (Sub-No. 1), *Norfolk Southern Corporation -- Control -- Norfolk and Western Railway Company and Southern Railway Company*, 366 I.C.C. 173 (1982), dated March 19, 1982, Norfolk Southern Corporation acquired control of Norfolk and Western Railway Company and Southern Railway Company on June 1, 1982.

Two books on the Norfolk and Western Railway Company and Southern Railway Company systems provide detailed information on the companies' history and development to the time of the Norfolk Southern consolidation. They are: E. F. Pat Striplin, *The Norfolk And Western: A History* (Roanoke, VA: The Norfolk and Western Railway Co., 1981) and Burke Davis, *The Southern Railway: Road Of The Innovators* (Chapel Hill, NC: University of North Carolina Press, 1985).

Effective December 31, 1990, Southern Railway Company changed its name to Norfolk Southern Railway Company. Norfolk and Western Railway Company became a wholly-owned subsidiary of Norfolk Southern Railway Company rather than a subsidiary of Norfolk Southern Corporation.

As of August 30, 1996, NSR's wholly-owned subsidiary, The Cincinnati, New Orleans and Texas Pacific Railway Company, renewed its lease of the line of railroad of the Cincinnati Southern Railway under an agreement with the City of Cincinnati. That agreement expires in 2026, with an option to extend the term for 25 years to December 31, 2051 (which must be exercised on or before January 1, 2022).

Pursuant to a notice of exemption filed in STB Finance Docket No. 33648, *Norfolk Southern Railway Company--Merger Exemption--Norfolk and Western Railway Company*, served August 31, 1998, Norfolk Southern Railway Company merged Norfolk and Western

Railway Company into NSR, effective September 1, 1998.

Norfolk Southern Corporation ("NSC"), parent to Norfolk Southern Railway Company ("NSR"), entered into a Transaction Agreement (the "Conrail Transaction Agreement") among NSC; NSR; CSX Corporation ("CSX"); CSX Transportation, Inc. ("CSXT"), a wholly-owned subsidiary of CSX; Conrail Inc. ("CRR"); Consolidated Rail Corporation ("Conrail"), a wholly-owned subsidiary of CRR; and CRR Holdings LLC, dated June 10, 1997, pursuant to which CSX and NSC indirectly acquired all the outstanding capital stock of CRR. The Conrail Transaction Agreement was approved by the Surface Transportation Board ("STB") in a decision served July 23, 1998 in STB Finance Docket No. 33388, *CSX Corporation and CSX Transportation, Inc., Norfolk Southern Corporation and Norfolk Southern Railway Company - Control and Operating Leases/Agreements - Conrail Inc. and Consolidated Rail Corporation*. The transaction was closed and became effective June 1, 1999.

Pursuant to the Conrail Transaction Agreement, certain Conrail assets were allocated to Pennsylvania Lines LLC ("PRR"), a wholly-owned subsidiary of Conrail. Furthermore, pursuant to the Conrail Transaction Agreement, PRR's assets, in turn, were leased to and were operated by NSR under the terms of an allocated assets operating agreement between PRR and NSR (the "NSR Operating Agreement") with an original term of twenty-five (25) years from the effective date of June 1, 1999, and two optional renewal terms of five (5) years each. The Conrail Transaction Agreement permitted NSR to operate and to enter into various transactions with regard to the assets allocated to PRR.

On June 4, 2003, Norfolk Southern Corporation (NSC), CSX Corporation (CSX), and Consolidated Rail Corporation (Conrail) announced the joint filing of a petition with the STB for approval to establish direct ownership and control by CSX Transportation, Inc. (CSXT)

and Norfolk Southern Railway Company (NSR), the railroad subsidiaries of CSX and NSC, respectively, of the two Conrail subsidiaries - New York Central Lines LLC (NYC) and Pennsylvania Lines LLC (PRR) that CSXT and NSR had been managing and operating, respectively, since June 1, 1999 under operating agreements approved by the STB in the 1998 decision. The STB approved the petition, subject to certain conditions, in a decision served on November 7, 2003. The transaction was concluded on August 27, 2004 by the merger of NYC and PRR into CSXT and NSR, respectively. The transaction's effect was to replace the PRR and NYC operating agreements and allow NSR and CSXT to operate the NYC and PRR lines via direct ownership.

Scott County was created in 1849 by the Tennessee General Assembly out of parts of Anderson, Campbell, Fentress, and Morgan Counties and named for General Winfield Scott. The largest municipality in the county, Oneida, was incorporated in 1913. Oneida served as a way station on the Cincinnati Southern Railroad, built in the 1870s to connect Chattanooga and Cincinnati. That line, which is leased to Norfolk Southern Railway Company's Cincinnati, New Orleans and Texas Pacific Railway Company subsidiary, will continue to serve Oneida after the abandonment of the subject line. Another railroad line, the Oneida and Western Railway Company line between Oneida and Jamestown, Tennessee, was abandoned in 1953.

In the 1990s the county government, its school system, and the ninety-nine-bed Scott County Hospital employed the largest numbers of non-manufacturing workers in the county. According a web site with information about the county, the county's biggest employers include American Bag Corporation (automobile air bags); Hartco/Tibbals Flooring Company (wood flooring); Tennier Industries (military coats); Denim Processing, Inc.; and Wabash

National Corporation (trailer platforms). The county also serves as national headquarters for Barna Log Homes. None of these companies ship any commodities over TNRC's Oneida-Nick's Creek, Tennessee line.

In 1974, Congress created the Big South Fork National River and Recreation Area in Scott, Morgan and Fentress counties in Tennessee, and McCreary, Wayne and Pulaski counties in Kentucky. The park headquarters is located near the entrance to the Leatherwood Ford recreation site west of Oneida in Scott County. The establishment of this recreation area, along with the Bandy Creek Recreation Area in Scott County, has increased tourism and thus increased service jobs in the county. Scott County's population in 2000 was 21,127 according to the 2000 census. The Tennessee State Library and Archives has compiled a large Bibliography of Tennessee Local History Sources with many books and publications about Scott County and adjacent counties. Lists of these books and publications can be found on the State Library and Archives web site.

Abandonment of the Oneida-Nick's Creek, Tennessee Line, and subsequent salvage of railroad materials from the Line, will have no adverse effect on pre-historic, or historic archeological sites if there are any along the Line. If any such sites existed immediately below the surface of the Line, those sites would have been disrupted during construction of the Line. Salvage operations, which take place on the surface of the land and involve picking up salvageable material, would not disturb any archaeological sites that might exist in the area.

No traffic has moved over the Line since March 2004. NSR had been holding, maintaining and operating the TNRC Line at a loss prior to that time. NSR sustained operations economically only by deferring all but essential maintenance for the Line. Coal

shipments from the mine at Smokey Junction, Tennessee have been relatively short hauls that produced marginal revenues, at best. Even if coal shipments over the Line were to resume from the last remaining active mine on the Line, the National Coal mine near Smokey Jct., Tennessee, those shipments would produce insufficient revenue for the railroad to cover the costs of operation and maintenance of the Line, especially when the capital costs of repair and rehabilitation that would be required imminently in order to keep the Line open are considered.

The change contemplated in the operation of the Tennessee Railway Company railroad line between Oneida, Tennessee and Nick's Creek, Tennessee is for the Tennessee Railway Company, a wholly-owned subsidiary of Norfolk Southern Railway Company, to abandon the subject unprofitable line of railroad, to salvage the track and material from the Line and to the extent of its title to the real estate to deal with the right-of-way as ordinary real estate no longer subject to a common carrier obligation. TNRC will consider entering into an interim trail use agreement to preserve the right-of-way for current recreational use and possible restoration of the rail line at some future date.

(6) **Summary of Documents In Carriers' Possession That Might Be Useful for Documenting a Structure That Is Found To Be Historic** – Bridge plans may be available for the structures on the line.

(7) **Opinion Regarding Criteria For Listing In The National Register Of Historic Places** – It is carriers' opinions that the structures on the line to be abandoned do not meet the criteria for listing in the *National Register of Historic Places*. The structures are bridges which are short in length and relatively modern and ordinary in design and construction. There is nothing that distinguishes the bridges from others in the region. Carriers have no reason to believe that there

is any likelihood of finding archaeological resources or historic properties on the line proposed for abandonment .

(8) **Subsurface Ground Conditions That Might Affect Archaeological Recovery** -- Carrier is not aware of any prior subsurface ground disturbances or environmental conditions that would affect archaeological recovery.

(9) **Follow-Up Information** -- Additional information will be provided as appropriate.

NORFOLK SOUTHERN CORPORATION
BRIDGES AND STRUCTURES DEPARTMENT
BRIDGE LISTING

INTERNAL DIVISION
ENR

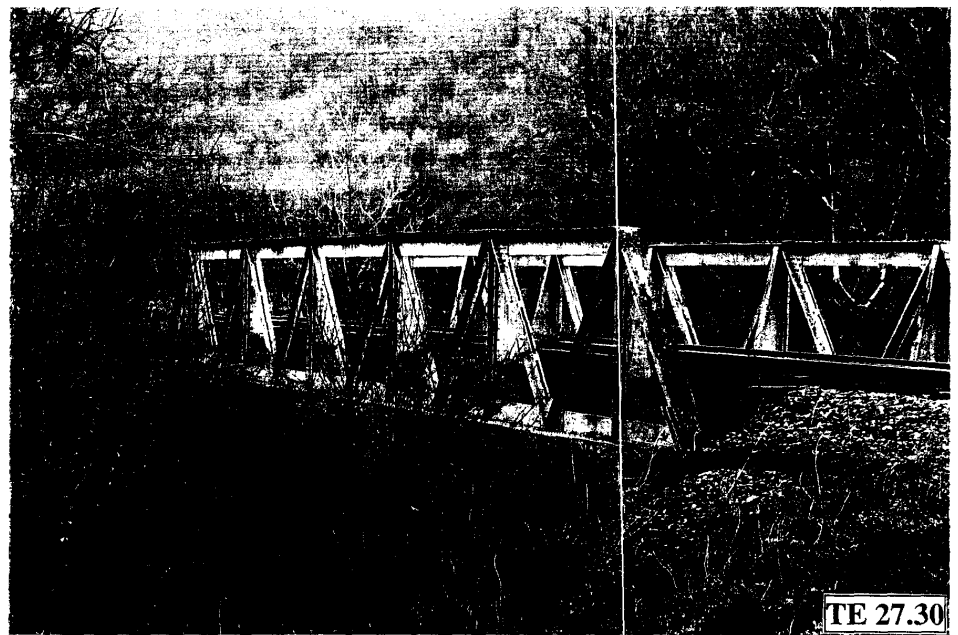
DATE RUN: 04/26/01
PAGE 63

FILEPOST	NAME OF CROSSING	NO OF SPANS	DESCRIPTION OF STRUCTURE	DECK	LENGTH	TOTAL LENGTH	DATE	MAX HT	ALIGN	NO OF TRKS	NEAREST STATION	ST NO	FILE NO	OLD BR NO	REMARKS
TE-0-20	MATERHAY	3	STL BEAM	OPEN	56.00	1988	12.0	T	2	M	SAMS	TM	117-15668		
TE-3-50	POPLAR TREE BRANCH	1	THRU PL GDR	OPEN	24.00	1936	8.0	T	1	M	STANLEY JCT	TM	117-15689		
TE-3-60	MALT YANCEY	1	I-BM TRESTLE	OPEN	13.33		4.0	T	1	M	STANLEY JCT	TM	117-15670		
TE-4-10	MATERHAY	1	FRAME TRESTLE	OPEN	12.00	1920	3.0	T	1	M	STANLEY JCT	TM	117-15671		
TE-7-40	CROSSES CREEK	1	DECK PL GDR	OPEN	49.00	1932	19.0	R12.0	1	M	NEWTOWN	TM	117-15672		
TE-8-20	LITTLE LAUREL	1	DECK PL GDR	OPEN	34.00	1940	20.0	T	1	M	NEWTOWN	TM	117-15673		
TE-8-60	LONG LAUREL	1	TI-PINNED	OPEN	105.00	1903	20.0	T	1	M	NEWTOWN	TM	117-15674		PIN CONNECTED TRUSS
TE-9-10	MATERHAY	1	DECK PL GDR	OPEN	50.00	1907	14.0	L 6.0	1	M	NEWTOWN	TM	117-15675		
TE-9-13	ST ROUTE 63	5	OH HMT-REIN CONC		645.00		26.0	T	1	0	NEWTOWN	TM	117-		
TE-9-40	MUD CUT	1	TI-PINNED	OPEN	127.70		16.0	T	1	M	NEWTOWN	TM	117-15676		PIN CONNECTED TRUSS
TE-9-80	MATERHAY	2	DECK PL GDR	OPEN	126.80		17.0	R 9.20	1	M	NEWTOWN	TM	117-15677		LEES BRIDGE
TE-10-10	MATERHAY	2	DECK PL GDR	OPEN	172.10		40.0	L 9.0	1	M	NEWTOWN	TM	117-15678		RIVER JUNCTION
TE-13-00	BUFFALO CREEK	1	TI-PINNED	OPEN	137.40	1899	30.0	T	1	M	HINDON	TM	117-15679		PIN CONNECTED TRUSS
TE-14-50	MATERHAY	1	TI-PINNED	OPEN	128.00	1899	18.0	R 2.30	1	M	HINDON	TM	117-15680		PIN CONNECTED TRUSS
TE-18-90	MILL BRANCH	1	DECK PL GDR	OPEN	79.10		26.0	T	1	M	NORMA	TM	117-15681		
TE-20-40	MATERHAY	1	DECK PL GDR	OPEN	59.90	1904	19.0	R 6.0	1	M	NORMA	TM	117-15682		NORMA BRIDGE
TE-22-10	MONTGOMERY FORK	2	DECK PL GDR	OPEN	133.00	1905	33.0	R 5.45	1	M	MONTGOMERY JCT	TM	117-15683		
TE-25-90	SHOAL CREEK	1	TI-PINNED	OPEN	105.00	1901	22.0	R 4.0	1	M	SMOKY JCT	TM	117-15684		PIN CONNECTED TRUSS
TE-27-30	CROSSES CREEK	1	TI-PINNED	OPEN	78.80	1898	17.0	T	1	M	SMOKY JCT	TM	117-15685		PIN CONNECTED TRUSS
TE-27-90	OLD HOUSE BRANCH	1	DECK PL GDR	OPEN	39.70	1909	21.0	T	1	M	SMOKY JCT	TM	117-15687		
TE-28-50	NICKS CREEK	2	DECK PL GDR	OPEN	112.60		18.0	R 5.50	1	M	SMOKY JCT	TM	117-15688		
TE-31-90	BEECH FORK	2	DECK PL GDR	OPEN	134.00		27.0	R17.0	1	M	BEECH FORK	TM	117-15689		ON GAINLET TRACK
TE-35-20	ELIJAH'S CREEK	1	DECK PL GDR	OPEN	77.30	1889	27.0	R 7.50	1	M	SWISHER	TM	117-15690		PIN CONNECTED TRUSS
		1	DECK PL GDR	OPEN	78.30	1898									
		1	TI-PINNED	OPEN	78.30	1898									
TE-36-70	CHARLIES BRANCH	1	DECK PL GDR	OPEN	26.30		6.0	T	1	M	ROSEDALE	TM	117-15691		
TE-38-60	MATERHAY	1	TI-PINNED	OPEN	123.30	1899	16.0	T	1	M	ROSEDALE	TM	117-15692		PIN CONNECTED TRUSS
TE-40-00	UNSEEN BRANCH	1	THRU PL GDR	OPEN	62.50	1910	9.0	R 4.0	1	M	MARCO JUNCTION	TM	117-15693		NEH RIVER-INDIAN FORK SPU

NORFOLK SOUTHERN CORPORATION
BRIDGES AND STRUCTURES DEPARTMENT
BRIDGE LISTING

DATE RUN: 04/26/01
PAGE 76

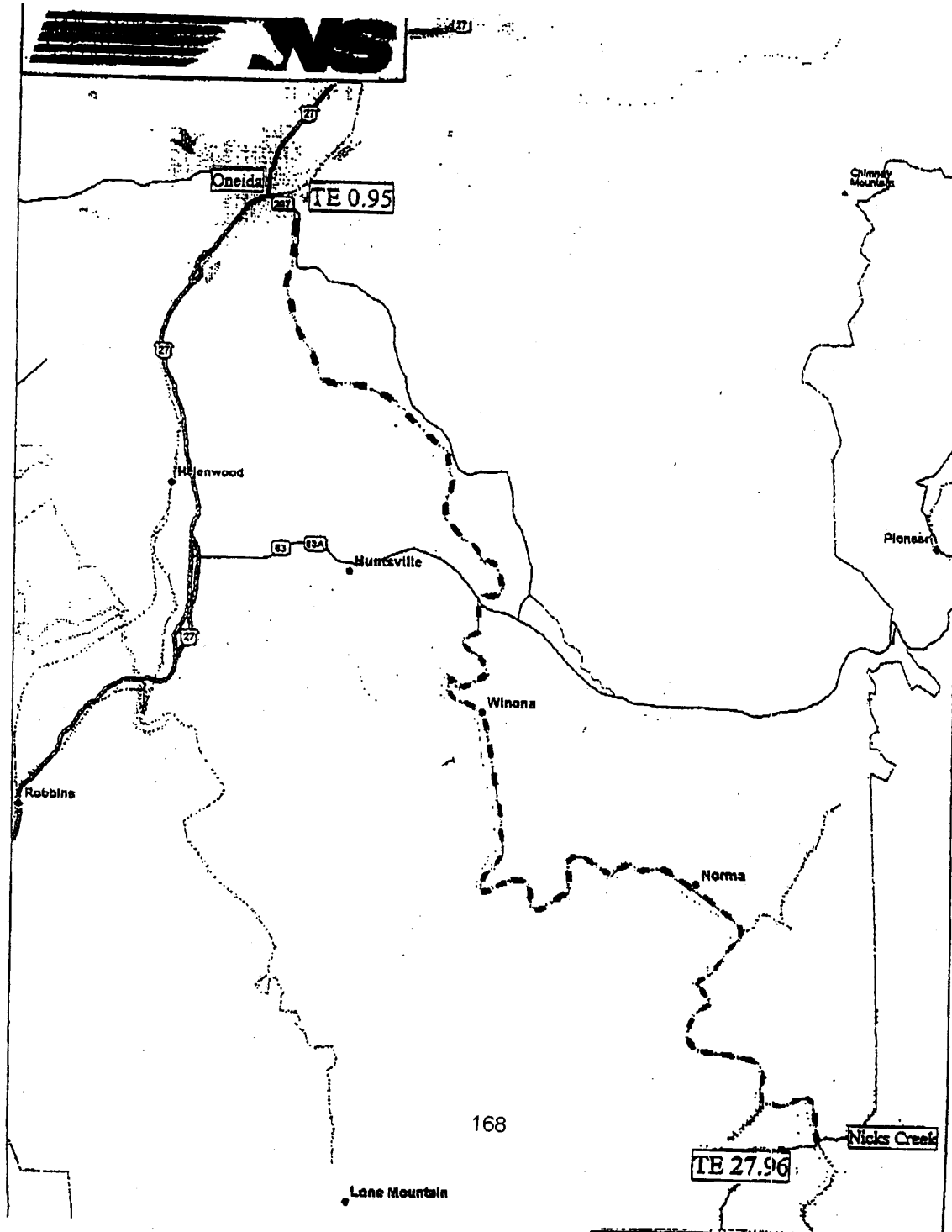
CENTRAL DIVISION		TENN		MOROCO (INDIAN FORK) BRANCH												DATE RUN 04/20/01
																PAGE 76
MILEPOST	NAME OF CROSSING	NO OF SPANS	DESCRIPTION	DECK	LENGTH	TOTAL LENGTH	DATE BUILT	MAX HT	ALIGN NO	TK NEAREST	DOT ST NO	FILE NO	OLD BR NO	REMARKS		
TE-40.46	NEW RIVER	3	DECK PL GDR	OPEN	174.50	254.48	1981	16.0	1	M	MARCO JUNCTION	TN	117-15899	SWITCH AT MP 40.46		
		6	STL BEAM	OPEN	79.98											





***Tennessee Railway Company, a wholly owned
subsidiary of Norfolk Southern Railway***

Oneida, Tennessee
Proposed Abandonment NS District
MP TE 0.95 to MP TE 27.96





Norfolk Southern Corporation
Law Department
Three Commercial Place
Norfolk, Virginia 23510-9241

James R. Paschall
General Attorney

Writer's Direct Dial Number

(757) 629-2752

January 31, 2005

Mr. Herbert L. Harper, Executive Director
and Deputy State Historic Preservation Officer
Tennessee Historical Commission
2941 Lebanon Road
Nashville, TN 37243

VIA DHL EXPRESS DELIVERY

Re: Docket No. AB-290 (Sub-No. 260X), Tennessee Railway Company, a wholly owned subsidiary of Norfolk Southern Railway Company (NSR) – Abandonment – Oneida to Nick's Creek, in Scott County, Tennessee

Dear Mr. Harper:

On or about February 28, 2005, we expect to be filing with the Surface Transportation Board a petition for exemption seeking authority for NSR to abandon 27.01 miles of rail line located between railroad milepost TE-0.95 near Oneida and railroad milepost TE-27.96 at Nick's Creek, Tennessee. Attached is a Historic Report describing the proposed action and any expected historic effects, as well as a map of the affected area.

We are providing this report so that you may review the information that will form the basis for the Board's independent environmental analysis of this proceeding. If you believe any of the information is misleading or incorrect, if you believe that pertinent information is missing, or if you have any questions about the Board's environmental review process, please contact the Section of Environmental Analysis (SEA), Surface Transportation Board, 1925 K Street, N.W., Washington, D. C. 20423-0001, Telephone (202) 565-1545, and refer to the above Docket. Because the applicable statutes and regulations impose stringent deadlines for processing this action, your written comments (with a copy to me) would be appreciated within 3 weeks.

Your comments will be considered by the Board in evaluating the historic impacts of the contemplated action. If there are any questions concerning this proposal, please contact me directly at the above telephone number or address.

Yours very truly,

James R. Paschall

JRP:kch
Enclosures

Exhibit 8

To: NORFOLK SOUTHERN CORP.

Advertising} NOTICE OF INTENT TO ABANDON RAIL SERVICE

PUBLISHER'S AFFIDAVIT

State of Tennessee }
 County of Knox } s.s.

Before me, the undersigned, a Notary Public in and for said county, this day personally came Rosanna Luttrell, who, being first duly sworn, according to law, says that she is a duly authorized representative of The Knoxville News-Sentinel, a Daily newspaper published at Knoxville, in said county and state, and that the advertisement of

(THE ABOVE-REFERENCED),

of which the annexed is a copy, was published in said paper on the following date(s):

02/15/05

and that the statement of account herewith is correct to the best of her knowledge, information, and belief.

Rosanna Luttrell

Subscribed and sworn to before me this 16th day of February, 2005.

Sherrill Simpson
 Notary Public

My commission expires November 26, 2007.

NOTICE OF INTENT TO
ABANDON RAIL SERVICE

Tennessee Railway Company, a wholly owned subsidiary of Norfolk Southern Railway Company (NSR) gives notice that on or about February 28, 2005, it intends to file with the Surface Transportation Board (STB), Washington, DC 20423, a petition for exemption under 49 U.S.C. 10502 from the prior approval requirements of 49 U.S.C. 10903, et seq., and 49 U.S.C. 1152 Subpart F - *Exempt Abandonments*, permitting NSR's abandonment of a 27.01-mile line of railroad between milepost TE-0.95 near Oneida and milepost TE-27.96 at Nick's Creek, which traverses through United States Postal Service ZIP Codes 37256 and 37841 in Scott County, Tennessee. The proceeding will be docketed as No. AB-290 (Sub No. 260X).

The STB's Section of Environmental Analysis (SEA) will generally prepare an Environmental Assessment (EA), which will normally be available 25 days after the filing of the notice of exemption. Comments on environmental and energy matters should be filed no later than 15 days after the EA becomes available to the public and will be addressed in an STB decision. Interested persons may obtain a copy of the EA or make inquiries regarding environmental matters by writing to the Section of Environmental Analysis, Surface Transportation Board, 1925 K Street, N.W., Washington, DC 20423-0001 or by calling that office at 202-565-1545.

Appropriate offers of financial assistance to continue rail service can be filed with the STB. Requests for environmental conditions, public use conditions, or rail banking/trails use also can be filed with the STB. An original and 10 copies of any pleading that raises matters other than environmental issues (such as trails use, public use, and offers of financial assistance) must be filed directly with the STB's Office of the Secretary, 1925 K Street, N.W., Washington, DC 20423-0001. See 49 CFR 1104.1(a) and 1104.3(a), and one copy must be served on applicant's representative. [See 49 CFR 1104.12(a)]. Questions regarding offers of financial assistance, public use or trails use may be directed to the STB's Office of Public Assistance at 202-927-7597. Copies of any comments or requests for conditions should be served on the applicant's representative: James R. Paschall, General Attorney, Norfolk Southern Corporation, Three Commercial Place, Norfolk, VA 23510-9241, (757) 629-2759.

Oneida – Nicks Creek Petition for Exemption

Workpapers

NS Locomotive Summary Information

Cat	GMA Horsepower Classification	As of Aug 1, 2004		Average Tons 2004	Historic Cost	As of 1/31/05	
		Total*	Total Active			Locomotive Replacement Cost 2003 4/03 - 3/04 2004	2005
1	999 HP and under	1	0				
2	1,000 HP - 1,499 HP	10	6	30.0			
3	1,500 HP - 1,749 HP	193	163	25.4	\$664,705	905,993	914,579
4	1,750 HP - 1,999 HP	10	7	46.6			
5	2,000 HP - 2,499 HP	506	387	29.2	\$791,186	1,193,108	1,204,185
6	2,500 HP - 2,999 HP	0	0				
7	3,000 HP - 3,599 HP	753	653	24.9	\$1,161,730	1,388,981	1,402,144
8	3,600 HP and over	1,873	1,849	7.4	\$1,547,000	1,461,325	1,475,174
9	Booster	73	58	25.8	\$241,543	277,591	280,222
172	Grand Total:	3,419	3,123			292,458	297,003

*Total includes active, leased, and in-shop locomotives. Does not include retired locomotives. Average age calculated for active locomotives only.

US Department of Labor, Bureau of Labor Statistics
 Producer Price Index - Commodities
 Not Seasonally Adjusted
 Group : Transportation equipment
 Item : Railroad equipment
 Base Date : 8200
 Series ID: wpu144
www.bls.gov

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Ann
1995	130.9	132.7	133.2	134.2	134.7	135.2	135.5	135.7	135.6	136.1	136.6	136.9	134.8
1996	136.7	137.7	137.6	137.8	137.7	137.3	137.3	137.2	137	137	136.5	136.3	137.2
1997	142.4	136.6	132.2	131.6	134.2	134.3	133.8	133.5	134.2	134.7	134.2	134.3	134.7
1998	134.6	134.5	134.5	135.5	135.3	135.6	135.2	135.3	135.3	134.5	134.3	135.2	135
1999	134.6	134.6	134.6	134.5	134.5	135.8	135.9	135.9	135.8	135.7	135.3	135.5	135.2
2000	135.3	135.3	135.6	135.8	135.7	135.8	135.8	135.7	135.9	135.8	135.8	135.8	135.7
2001	135.9	135.9	135.4	135.5	135.6	135.7	135.1	135.1	135	134.6	134.5	134.5	135.2
2002	134.9	134.6	135.1	135	135.2	135.4	134.9	135	134.6	134.5	134.5	134.5	134.9
2003	134.5	135.4	135.5	136	136.3	136.3	136.7	136.5	136.9	137.2	137.7	137.3	136.3
2004	137.9	140.1	142.2	142.8	143.5	143.7	143.2	143.5	145.2	145.6	145.1	150.7	143.6
2005													

Forecast of PPI - Rail Equipment in AAR submission to STB for the First Quarter 2005 quarterly Rail Cost Adjustment Factor (RCAF)

2005	145.823	145.830	145.833	145.834	145.834	145.834	145.834
------	---------	---------	---------	---------	---------	---------	---------

Locomotive Cost

Indexed Cost

Category	GMA Horsepower Classification	Unit Initial and Number	Year of Last Purchase or Rebuild	Historic Cost	2002	2003	4/1/03 - 3/31/04	2004	2005
1	999 HP and under								
2	1,000 HP - 1,499 HP								
3	1,500 HP - 1,749 HP	NS (SOU) 2403	1982	\$664,705	\$896,688	\$905,993	\$914,579	\$954,517	\$969,141
4	1,750 HP - 1,999 HP	NS (NW) 0056	1957	\$222,575					
5	2,000 HP - 2,499 HP	NS (SOU) 5801	1980	\$791,186	\$1,180,450	\$1,193,108	\$1,204,185	\$1,256,403	\$1,276,183
6	2,500 HP - 2,999 HP								
7	3,000 HP - 3,599 HP	NS (SOU) 4641	1989	\$1,161,730	\$1,374,714	\$1,388,981	\$1,402,144	\$1,463,372	\$1,486,111
8	3,600 HP AND OVER	NS (NS) 7512	2004	\$1,547,000	\$1,446,315	\$1,461,325	\$1,475,174	\$1,539,592	\$1,563,515
9	Booster	NS (SOU) 0965	1990	\$241,543	\$274,740	\$277,591	\$280,222	\$292,458	\$297,003

FBM

2/24/2005

Loco Costs by Year

Background

Oneida to Smoky Junction, TN Line Segment - TE 0.95 to TE 26.25

Background Data:

Base Year: 04/03 - 03/04
Forecast Year: 02/05 - 01/06

(Numbers in red change once a year)
(Numbers in blue change for specific branch line)

Beginning Milepost:	0.95	Number days per week serve branch line?	2.00
Ending Milepost	26.25	Crew size?	3
Miles to abandon	25.3	Roundtrip mileage crew taxed	0
Trips per year:	104	Hours required to serve line (includes switching)?	6.57 (6' 34"/day)
		Average number trips per week?	2
		Average number days a car is on branch line?	4
		Average MPH service on line?	10
		Annualized Maintenance (Engineering)	\$ 433,843 Engineering
		Hours for loco ownership?	6.57 (6' 34"/day)

Traffic:	Cars	Revenue	Per Car
Orig or Term on branch	1,978	\$ 1,209,023	\$ 611
Switching	0	\$ -	-
Bridge	0	\$ -	-
Other	0	\$ -	-
	1,978	\$ 1,209,023	

Notes:

Crew Stats:

	Basic	Fringe Productivity	TOTAL
Train service - 2	\$ 52,610	\$ 19,243	\$ 71,853
Brakeman	\$ -	\$ -	\$ -
Engineer	\$ 28,141	\$ 10,293	\$ 38,434
Totals	\$ 80,752	\$ 29,537	\$ 110,289
Basic plus productivity		\$ 81,819	

Background

Loco Stats: (from loco master)

Category Loco Used: 5
 Number Used: 3
 Average Tons: 131.3
 2003 Age: 29.2

1. Loco Unit Hours

A. For ownership (Depreciation & ROI)

6.57 hrs/trip * 104 trips/yr = 683.28 hours/year

B. For Usage (fuel)

6.57 hrs/trip * 104 trips/yr = 683.28 hours/year

2. Loco Unit Miles

Running:

Milepost	26.25	less MP	0.95	=	25.3	miles
25.30	miles *	2	=	50.6	miles per round trip	
50.6	miles *	104	trips/yr =	5262.40	miles	

Switching:
 approx. 1 hr. 30 minutes
 1.5 hours * 6 MPH * 104 Trips/yr = 936 miles

TOTAL:

5262.40 + 936 = 6198.40 LUM

3. Loco Gross Ton Miles

6198.40 LUM * 131.3 tons = 813,850 LGTM

Oneida to Smoky Junction, TN Line Segment - TE 0.95 to TE 26.25
 2/24/2005

Loco ROI

LOCOMOTIVE RETURN ON INVESTMENT
Oneida to Smoky Junction, TN Line Segment
Base Year
04/03 - 03/04

GMA'S LOCO
CAT 5

A. SYSTEM LOCO UNIT HOURS	10,329,114
B. SYSTEM LOCO UNITS	3,184.5
C. SYS LOCO UNIT HRS./LOCO UNIT (LINE A / LINE B)	3,244
D. REPLACEMENT COST	\$1,204,185
E. DEPRECIATION RATE	3.58%
F. ANNUAL DEPRECIATION (LINE D x LINE E)	\$43,110
G. LOCO AGE	29.2
H. ACCUMULATED DEPRECIATION (LINE F x LINE G)	\$1,258,812
I. NET INVESTMENT (LINE D - LINE H)	\$0
J. COST OF CAPITAL	14.93%
K. ANNUAL ROI (LINE I x LINE J)	\$0
L. LOCO UNITS BY CATEGORY (100% SAMPLE)	3
M. TOTAL LOCO UNITS IN SAMPLE	3
N. RATIO LOCO UNITS BY CATEGORY (LINE L / LINE M)	1.00
O. LOCO UNIT HOURS ON BRANCH	683.28
P. LOCO UNIT HOURS ON BRANCH BY LOCO CATEGORY (LINE N x LINE O)	683.0
Q. RATIO LOCO UNIT HOURS ON BRANCH TO SYS LOCO UNIT HOURS PER LOCO UNIT (LINE P / LINE C)	0.211
R. ANNUAL ROI ON BRANCH (LINE K x LINE Q)	\$0
S. TOTAL ROI (SUM OF LINE R AMOUNTS)	

Net Investment for Category 5 locomotives is equal to zero because the annual depreciation rate times the average age exceeds 100%.

Oneida to Smoky Junction, TN Line Segment - TE 0.95 to TE 26.:
2/24/2005

Loco ROI

	Forecast Year 02/05 - 01/06 -----
	GMA'S LOCO CAT 5 -----
A. SYSTEM LOCO UNIT HOURS	10,329,114
B. SYSTEM LOCO UNITS	3,185
C. SYS LOCO UNIT HRS./LOCO UNIT (LINE A / LINE B)	3,244
D. REPLACEMENT COST	\$1,276,183
E. DEPRECIATION RATE	3.58%
F. ANNUAL DEPRECIATION (LINE D x LINE E)	\$45,687
G. LOCO AGE	30.2
H. ACCUMULATED DEPRECIATION (LINE F x LINE G)	\$1,379,747
I. NET INVESTMENT (LINE D - LINE H)	\$0
J. COST OF CAPITAL	14.93%
K. ANNUAL ROI (LINE I x LINE J)	\$0
L. LOCO UNITS BY CATEGORY (100% SAMPLE)	3
M. TOTAL LOCO UNITS IN SAMPLE	3
N. RATIO LOCO UNITS BY CATEGORY (LINE L / LINE M)	1.00
O. LOCO UNIT HOURS ON BRANCH	683.28
P. LOCO UNIT HOURS ON BRANCH BY LOCO CATEGORY (LINE N x LINE O)	683.0
Q. RATIO LOCO UNIT HOURS ON BRANCH TO SYS LOCO UNIT HOURS PER LOCO UNIT (LINE P / LINE C)	0.211
R. ANNUAL ROI ON BRANCH (LINE K x LINE Q)	\$0
S. TOTAL ROI (SUM OF LINE R AMOUNTS)	

Net Investment for Category 5 locomotives is equal to zero because the annual depreciation rate times the average age exceeds 100%.

Oneida to Smoky Junction, TN Line Segment - TE 0.95 to TE 26.:
2/24/2005

Oneida to Smoky Junction, TN Line Segment - TE 0.95 to TE 26.25

	ACCOUNT NO.	BASE YEAR 04/03 - 03/04	FORECAST YEAR 02/05 - 01/06	Spread sheet/Source
GDP deflator adjustment:			4.24%	From GDP Deflator Spreadsheet
Revenues:				
1 a. Freight Originated or Terminated on branch	101	1,209,023	1,260,258	
b. Switching	104	0	0	
c. Demurrage	106	0	0	
d. Other		0	0	
2 Bridge traffic (assignable to branch)		0	0	
3 All other revenue and income		0	0	
4 Total revenues attributable (Lines 1 through 3)		1,209,023	1,260,258	
Avoidable cost:				
5 On-branch costs (from spreadsheets)				
a. Maintenance of way and structures		433,843	452,228	From Engineering
b. Maintenance of equipment				
1 Locomotives:				
Repairs & maintenance	11-21-41 L	1,455	1,516	Loco Repairs
	21-21-41 M	2,455	2,559	Loco Repairs
	41-21-41 P	122	127	Loco Repairs
	61-21-41 G	1	1	Loco Repairs
Fringe benefits	12-21-00 G	613	639	Loco Repairs
Depreciation	62-21-00 G	0	0	Loco Depreciation
Total Locomotives		4,645	4,842	
2 Other		0	0	
Total Equipment		4,645	4,842	
c. Transportation				
1 Train operations				
Engine crews	11-31-56 L	38,790	40,434	Transportation
	21-31-56 M	5	5	Crew Materials
Train crews	11-31-57 L	72,565	75,640	Transportation
	21-31-57 M	98	102	Crew Materials
Train inspect. & lubr.	11-31-62 L	3,466	3,613	Crew Materials
	21-31-62 M	13	13	Crew Materials
Locomotive fuel	11-31-69 L	23,153	24,135	Loco Fuel
Servicing locomotives	21-31-69 M	607	633	Loco Service
	41-31-69 P	272	284	Loco Service
	61-31-69 G	167	174	Loco Service
Fringe benefits	12-31-00 G	0	0	Included in labor
Total transportation		139,137	145,033	
d. General administrative		0	0	
e. Deadheading, taxi and hotel		0	0	Transportation
f. Overhead movement		0	0	
g. Freight car costs (other than return on freight cars)		50,666	52,813	Car Cost
h. Return on value - locomotives		0	0	Loco RO
i. Return on value - freight cars		160,553	167,357	Car Cost
j. Revenue taxes		0	0	
k. Property taxes		0	0	
l. Total (Lines 5a through 5k)		788,844	822,273	
m. Holding gain (loss)-locomotives		0	0	Loco Holding
n. Holding gain (loss)-freight cars		0	18,602	Car Cost
o. Net on-branch costs (Lines 5l-(5m+5n))		788,844	803,671	
6 Off-branch costs				
a. Off-branch costs (other than return on freight cars)		566,940	590,965	Cost Dept.
b. Return on value - freight cars		86,308	89,966	Cost Dept.
c. Holding gain (loss)-freight cars		0	10,000	Cost Dept.
d. Net off-branch costs (a+b-c)		653,248	670,931	
7 Total avoidable costs (Line 5o + 6d)		1,442,092	1,474,602	
Subsidization costs:				
8 Rehabilitation			2,033,832	
9 Administrative costs			0	
10 Casualty reserve account			0	
11 Total subsidization costs (Lines 8 thru 10)			2,033,832	
12 Valuation of road properties (Lines 12a thru 12c)				
(a) Working capital			32,376	Working Capital
(b) Income tax consequences			-684,225	Working Capital
(c) Net liquidation value			1,849,256	Working Capital
Total valuation of properties			1,197,407	Working Capital
13 Nominal rate of return			14.93%	Pre Tax nominal rate
14 Nominal return on value (Line 12 * Line 13)			178,744	
15 Holding gain (loss) on road properties			33,436	
16 Return on value (Line 14-15)			145,308	
17 Avoidable loss (profit) from operations (Line 7 - 4) (excludes nominal return on value and opportunity cost, which are avoidable costs).		233,069	214,344	
18 Avoidable Loss Including Return on Value (Line 4-7+16)			359,652	
19 Avoidable Loss Including Subsidization Costs and Return on Value (Line 4-7+11+16)			2,393,484	

Oneida to Smoky Junction, TN Line Segment - TE 0.95 to TE 26.25 2/24/2005

Loco Depreciation

LOCOMOTIVE DEPRECIATION

Oneida to Smoky Junction, TN Line Segment - TE 0.95 to TE 2

	Base Year 04/03 - 03/04 -----
	GMA'S LOCO CAT 5 -----
A. SYSTEM LOCO UNIT HOURS	10,329,114
B. SYSTEM LOCO UNITS	3,185
C. SYS LOCO UNIT HRS./LOCO UNIT (LINE A / LINE B)	3,244
D. REPLACEMENT COST	\$1,204,185
E. DEPRECIATION RATE	3.58%
F. ANNUAL DEPRECIATION (LINE D x LINE E)	\$0
G. LOCO UNITS BY CATEGORY (100% SAMPLE)	3
H. TOTAL LOCO UNITS IN SAMPLE	3
I. RATIO LOCO UNITS BY CATEGORY (LINE G / LINE H)	1.0
J. LOCO UNIT HOURS ON BRANCH	683
K. LOCO UNIT HOURS ON BRANCH BY LOCO CATEGORY (LINE I x LINE J)	683
L. RATIO LOCO UNIT HOURS ON BRANCH TO SYS LOCO UNIT HOURS PER LOCO UNIT (LINE K / LINE C)	0.211
M. ANNUAL DEPRECIATION ON BRANCH (LINE F x LINE L)	\$0
N. TOTAL DEPRECIATION (SUM OF LINE M AMOUNTS)	

Net Investment for Category 5 locomotives is equal to zero because the annual depreciation rate times the average age exceeds 100%.

Oneida to Smoky Junction, TN Line Segment - TE 0.95 to TE 26.2
2/24/2005

Loco Depreciation

LOCOMOTIVE DEPRECIATION

Oneida to Smoky Junction, TN Line Segment - TE 0.95 to TE 2

	Forecast Year 02/05 - 01/06 -----
	GMA'S LOCO CAT 5 -----
A. SYSTEM LOCO UNIT HOURS	10,329,114
B. SYSTEM LOCO UNITS	3,185
C. SYS LOCO UNIT HRS./LOCO UNIT (LINE A / LINE B)	3,244
D. REPLACEMENT COST	\$1,276,183
E. DEPRECIATION RATE	3.58%
F. ANNUAL DEPRECIATION (LINE D x LINE E)	\$0
G. LOCO UNITS BY CATEGORY (100% SAMPLE)	3
H. TOTAL LOCO UNITS IN SAMPLE	3
I. RATIO LOCO UNITS BY CATEGORY (LINE G / LINE H)	1.0
J. LOCO UNIT HOURS ON BRANCH	683
K. LOCO UNIT HOURS ON BRANCH BY LOCO CATEGORY (LINE I x LINE J)	683
L. RATIO LOCO UNIT HOURS ON BRANCH TO SYS LOCO UNIT HOURS PER LOCO UNIT (LINE K / LINE C)	0.211
M. ANNUAL DEPRECIATION ON BRANCH (LINE F x LINE L)	\$0
N. TOTAL DEPRECIATION (SUM OF LINE M AMOUNTS)	

Net Investment for Category 5 locomotives is equal to zero because the annual depreciation rate times the average age exceeds 100%.

Crew Materials

CREW MATERIALS (TRAIN & ENGINE) AND TRAIN INSPECTION AND LUBRICATION

Oneida to Smoky Junction, TN Line Segment - TE 0.95 to TE 26.25

Base Year
04/03 - 03/04

	ENGINE CREW MATERIAL (21-31-56)	TRAIN CREW MATERIAL (21-31-57)	TRAIN INSPECTION & LUBRICATION	
			WAGES (11-31-62)	MATERIALS (21-31-62)
A. SYSTEM EXPENSES	\$75,000	\$1,406,000	\$49,728,000	\$185,000
B. CAR MILE PORTION RATIO	69%	69%	69%	69%
C. SYSTEM CAR MILE EXPENSES (LINE A x LINE B)	\$51,750	\$970,140	\$34,312,320	\$127,650
D. SYSTEM CAR MILES L & E (RR OWN & LEA, PVT & NO PAY MI)	4,380,759,000	4,380,759,000	4,380,759,000	4,380,759,000
E. SYSTEM EXPENSES PER CAR MILE L/E (LINE C / LINE D)	\$0.0000118	\$0.0002215	\$0.0078325	\$0.0000291
F. BRANCH CAR MILES L & E	100,087	100,087	100,087	100,087
G. BRANCH CAR MILE EXPENSES (LINE E x LINE F)	\$1	\$22	\$784	\$3
H. CARLOAD PORTION RATIO	31%	31%	31%	31%
I. SYSTEM CAR LOAD EXPENSES (LINE A x LINE H)	\$23,250	\$435,860	\$15,415,680	\$57,350
J. SYSTEM CARLOADS (QCS-COST DEPT)	11,369,188	11,369,188	11,369,188	11,369,188
K. SYSTEM EXPENSES PER CARLOAD (LINE I / LINE J)	\$0.00205	\$0.03834	\$1.35592	\$0.00504
L. BRANCH CARLOADS	1,978	1,978	1,978	1,978
M. BRANCH CARLOAD EXPENSES (LINE K x LINE L)	\$4	\$76	\$2,682	\$10
TOTAL EXPENSES (LINE G + LINE M)	\$5	\$98	\$3,466	\$13

Loco Service

SERVICING LOCOMOTIVES

Oneida to Smoky Junction, TN Line Segment - TE 0.95 to TE 26.25

	Base Year 04/03 - 03/04 -----
A. BRANCH LOCO UNIT MILES	6,198
B. SYSTEM LOCO UNIT MILES	165,463,558
C. RATIO (LINE A/ LINE B)	0.000037
D. SYSTEM LABOR EXPENSE (ACC 11-31-69) (R-1, Sch. 410, Line 411)	\$16,204,000
E. BRANCH LABOR EXPENSE (LINE C x LINE D)	\$607
F. SYSTEM MATERIAL EXPENSE (ACC 21-31-69)	\$7,258,000
G. BRANCH MATERIAL EXPENSE (LINE C x LINE F)	\$272
H. SYSTEM PURCHASED EXPENSE (ACC 41-31-69)	\$4,454,000
I. BRANCH PURCHASED EXPENSE (LINE C x LINE H)	\$167
J. SYSTEM GENERAL EXPENSE (ACC 61-31-69)	\$0
K. BRANCH GENERAL EXPENSE (LINE C x LINE J)	\$0

Oneida to Smoky Junction, TN Line Segment - TE 0.95 to TE 26.25
2/24/2005

Loco Repairs

LOCOMOTIVE REPAIRS AND MAINTENANCE

Oneida to Smoky Junction, TN Line Segment - TE 0.95 to TE 26.25

Base Year
04/03 - 03/04

A. BRANCH TONS PER UNIT	131
B. BRANCH LOCO UNIT MILES	6,198
C. BRANCH LOCO GTM (LINE A x LINE B)	813,850
D. SYSTEM LOCO GTM	30,236,142,000
E. RATIO (LINE C / LINE D)	0.000027
F. RATIO ROAD PORTION	0.919
G. SYSTEM LABOR EXPENSE (ACC 11-21-41)	\$58,801,000
H. BRANCH LABOR EXPENSE (LINE'S E x F x G)	\$1,455
I. SYSTEM MATERIAL EXPENSE (ACC 21-21-41)	\$99,212,000
J. BRANCH MATERIAL EXPENSE (LINE'S E x F x I)	\$2,455
K. SYSTEM PURCHASED EXPENSE (ACC 41-21-41)	\$4,918,000
L. BRANCH PURCHASED EXPENSE (LINE'S E x F x K)	\$122
M. SYSTEM GENERAL EXPENSE (ACC 61-21-41)	\$57,000
N. BRANCH GENERAL EXPENSE (LINE'S E x F x M)	\$1
O. FRINGE RATE	42.11%
P. TOTAL FRINGES (LINE H x LINE O)	\$613

Oneida to Smoky Junction, TN Line Segment - TE 0.95 to TE 26.25
2/24/2005

Loco Fuel

LOCOMOTIVE FUEL

Oneida to Smoky Junction, TN Line Segment - TE 0.95 to TE 26.25

Base Year 04/03 - 03/04	
	GMA'S LOCO CAT 5
A. GMA'S REPAIR & SUPPLIES COSTS PER LOCO UNIT HR. (AS OF 7/1/82)	\$55.60
B. GMA'S FUEL PORTION	0.64
C. FUEL EXPENSE PER LOCO UNIT HR. (LINE A x LINE B)	\$35.58
D. AAR'S CRC INDEX - FUEL (ANNUAL 1982 TO CURRENT YEAR)	0.952
E. FUEL EXPENSE PER LOCO UNIT HR. (LINE C x D)	\$33.89
F. LOCO UNITS BY CATEGORY (20% SAMPLE)	3
G. TOTAL LOCO UNITS IN SAMPLE	3
H. RATIO LOCO UNITS BY CATEGORY (LINE F / LINE G)	1.00
I. TOTAL LOCO UNIT HOURS ON BRANCH	683
J. LOCO UNIT HOURS ON BRANCH BY LOCO CATEGORY (LINE H x LINE I)	683
K. FUEL EXPENSES BY CATEGORY (LINE E x LINE J)	\$23,153
L. TOTAL FUEL EXPENSES (SUM OF LINE K AMOUNTS)	

Oneida to Smoky Junction, TN Line Segment - TE 0.95 to TE 26.25
2/24/2005

Working Capital

Oneida to Smoky Junction, TN Line Segment - TE 0.95 to TE 26.25

Working Capital	02/05 - 01/06
	Forecast Year
On branch avoidable cost	822,273
less loco dep	0
less frt car dep	32,623
subtotal	789,650
@ 15 days on branch cash avoidable cost (provision 49 CFR 1152.34) 15/365= 0.041	
Working Capital	32,376

Income Tax Consequences

NLV * 37% Tax Rate

Present (begin forecast year) NLV =	1,815,820	271,059 Nominal opportunity cost
End of Forecast Year NLV =	1,849,256 * 37% =	684,225 Income tax consequences
Holding gain road properties	33,436	
Opportunity cost	237,623	

Oneida to Smoky Junction, TN Line Segment - TE 0.95 to TE 26.25
2/24/2005

Loco Holding

LOCOMOTIVE RETURN ON INVESTMENT
LESS HOLDING GAIN(LOSS)

Oneida to Smoky Junction, TN Line Segment - TE 0.95 to TE 26.25

FORECAST YEAR
GMA'S LOCO
CAT 5

A. SYSTEM LOCO UNIT HOURS	10,329,114
B. SYSTEM LOCO UNITS	3,185
C. SYS LOCO UNIT HRS./LOCO UNIT (LINE A / LINE B)	3,244
D. REPLACEMENT COST (END OF FORECAST YEAR)	1,276,183
E. REPLACEMENT COST (BEGINNING OF FORECAST YEAR)	1,204,185
F. HOLDING GAIN(LOSS) AT REPLACEMENT (LINE D - LINE E)	71,998
G. TOTAL YEARS DEPRECIATION (100% / 3.86%)	27.9
H. LOCOMOTIVE AGE	30.2
I. NET BASE INVESTMENT YEARS (LINE G - LINE H)	0.0
J. REPL. LESS DEPR. ADJUSTMENT RATIO (LINE I / LINE G)	0.000
K. HOLDING GAIN(LOSS) AT REPL. LESS DEPR. (LINE F x LINE J)	0
L. LOCO UNITS BY CATEGORY	3
M. TOTAL LOCO UNITS IN SAMPLE	3
N. RATIO LOCO UNITS BY CATEGORY (LINE L / LINE M)	1.0
O. LOCO UNIT HOURS ON BRANCH	683.28
P. LOCO UNIT HOURS ON BRANCH BY LOCO CAT (LINE N x LINE O)	683.28
Q. RATIO LUH ON BR. TO SYS LUH PER LOCO UNIT (LINE P / LINE C)	0.211
R. HOLDING GAIN(LOSS) BY LOCO CAT. (LINE K x LINE Q)	0
S. HOLDING GAIN(LOSS) (SUM OF LINE R AMOUNTS)	
T. RETURN ON INVESTMENT (SEE BASE YEAR ROI SHEET)	
U. ROI MINUS HOLDING GAIN(LOSS) (LINE T - LINE S)	

Oneida to Smoky Junction, TN Line Segment - TE 0.95 to TE 26.25
2/24/2005

Car Cost

CAR COST (DAILY)
Oneida to Smoky Junction, TN Line Segment - TE 0.95 to TE 26.25
Base Year
04/03 - 03/04

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
ICC CAR GROUP	NUMBER OF CARS	AVG. CAR DAYS ON- BRANCH PER CAR	CAR DAYS ON BRANCH (COL 2x3)	COST PER CAR DAY (REPAIR & DEPR)	DAILY COST (REPAIR & DEPR) (COL 4x5)	COST PER CAR DAY (ROI)	DAILY COST (ROI) (COL 4x7)	COST PER CAR DAY (DEPR)	DAILY COST (DEPR) (COL 4x9)	HOLDING GAIN(LOSS) PER CAR DAY	TOTAL HOLDING GAIN(LOSS)
01	0	4	0		\$0		\$0		\$0		\$0
02	0	4	0	(\$31,0820)	\$0	(\$30,1452)	\$0	\$0.1673	\$0	(\$3.49)	\$0
PVT2	0	N/A	0		\$0		\$0		\$0		\$0
03	0	4	0	\$10.4988	\$0	\$17.8869	\$0	\$2.3859	\$0	\$2.07	\$0
04	0	4	0	\$3.5070	\$0	\$14.6665	\$0	\$5.1347	\$0	\$1.70	\$0
05	0	4	0	\$1.7510	\$0	\$15.9127	\$0	\$0.0689	\$0	\$1.84	\$0
06	0	4	0	\$5.7008	\$0	\$8.9197	\$0	\$0.9414	\$0	\$1.03	\$0
PVT6	0	N/A	0		\$0		\$0		\$0		\$0
07	15	4	60	\$4.3733	\$262	\$15.2081	\$912	\$3.5728	\$214	\$1.76	\$106
08	1,963	4	7,852	\$5.1913	\$40,762	\$20.3312	\$159,640	\$3.1477	\$24,716	\$2.36	\$18,496
09	0	4	0	\$24.3895	\$0	\$0.0000	\$0	\$0.0000	\$0	\$0.00	\$0
10	0	4	0	\$14.5967	\$0	\$12.3489	\$0	\$2.9707	\$0	\$1.43	\$0
11	0	4	0	\$55.0319	\$0	\$4.4828	\$0	\$1.6060	\$0	\$0.52	\$0
12	0	4	0	\$105.2025	\$0	\$7.0839	\$0	(\$0.1662)	\$0	\$0.82	\$0
13	0	4	0	(\$0.2224)	\$0	\$21.5038	\$0	\$4.2993	\$0	\$2.49	\$0
14	0	4	0	\$11.7675	\$0	\$11.4807	\$0	\$1.9732	\$0	\$1.33	\$0
PVT14	0	N/A	0		\$0		\$0		\$0		\$0
15	0	N/A	0		\$0		\$0		\$0		\$0
16	0	N/A	0		\$0		\$0		\$0		\$0
17	0	4	0	\$6.8185	\$0	\$11.5219	\$0	\$2.0478	\$0	\$1.33	\$0
PVT17	0	N/A	0		\$0		\$0		\$0		\$0
TOTAL	1,978				\$41,024		\$160,553		\$24,930		\$18,602
					(REPAIR & DEPR)		(ROI)		(DEPR)		(HOLDING GAIN)

Car Cost

CAR COST (MILEAGE)
Oneida to Smoky Junction, TN Line Segment - TE 0.95 to TE 26.25
Base Year

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
ICC CAR GROUP	NUMBER OF CARS	LOADED CAR MI. ON BRANCH	RATIO LOADED TO EMPTY	LD & MTY CAR MI. ON BRANCH (COL. 3x4)	COST PER CAR/MI (REPAIR & DEPR)	MILEAGE COST (REPAIR & DEPR) (COL. 5x6)	COST PER CAR/MI (DEPR)	MILEAGE COST (DEPR) (COL. 5x8)
01	0	0	2	0	0	\$0	\$0.0070	\$0
02	0	0	2	0	\$0.2226	\$0	\$0.0070	\$0
PVT2	0	0	1	0	\$0.5466	\$0	\$0	\$0
03	0	0	2	0	\$0.0667	\$0	\$0.0269	\$0
04	0	0	2	0	\$0.0716	\$0	\$0.0567	\$0
05	0	0	2	0	\$0.0233	\$0	\$0.0011	\$0
06	0	0	2	0	\$0.0537	\$0	\$0.0124	\$0
PVT6	0	0	1	0	\$0.0457	\$0	\$0	\$0
07	15	380	2	759	\$0.0783	\$59	\$0.0612	\$46
08	1,963	49,664	2	99,328	\$0.0965	\$9,582	\$0.0636	\$6,320
09	0	0	2	0	\$0.1234	\$0	\$0.0000	\$0
10	0	0	2	0	\$0.0902	\$0	\$0.0270	\$0
11	0	0	2	0	\$0.1161	\$0	\$0.0071	\$0
12	0	0	2	0	\$0.1717	\$0	\$0.1160	\$0
13	0	0	2	0	\$0.0715	\$0	\$0.0461	\$0
14	0	0	2	0	\$0.0772	\$0	\$0.0202	\$0
PVT14	0	0	1	0	\$0.3900	\$0	\$0	\$0
15	0	0	1	0	\$0	\$0	\$0	\$0
16	0	0	1	0	\$0	\$0	\$0	\$0
17	0	0	2	0	\$0.0214	\$0	\$0.0070	\$0
PVT17	0	0	1	0	\$0.3856	\$0	\$0	\$0
TOTAL	1,978	50,043		100,087		\$9,641		\$6,367

TOTAL - DAILY & MILEAGE		
REPAIRS AND DEPRECIATION	ROI	DEPRECIATION (ONLY)
DAILY: \$41,024	\$160,553	\$24,930
MILEAGE: \$9,641	N/A	\$6,367
TOTAL: \$50,666	\$160,553	\$31,297
HOLDING GAIN(LOSS)	\$18,602	
ROI LESS HOLDING GAIN(LOSS)	\$141,951	

2003 Railroad Cost of Capital

	Debt	Common Equity	
1) Nominal Cost	0.050	0.127	
2) Real Cost $((1+J7)/\text{deflator})-1$	0.031	0.107	
3) Market Weight	0.428	0.572	
4) After Tax			
a. Nominal $J7*J9$	0.0214	0.0726	9.40%
b. Real $J8*J9$	0.0133	0.0610	7.44%
5) Pre-tax (change in equity only)			
a) Nominal $4a/(1-\text{tax rate}^*)$	0.033968	0.115308	14.93%
b) Real $4b/(1-\text{tax rate}^*)$	0.021138	0.096903	11.80%
6) Holding Gain			3.12%

*Assume 37% tax rate

Gross Domestic Product Implicit Price Deflator
Chain Type Index (Series 2000=100)
Source: Global Insight, January 2005

UQCSS:JPGDP.Q	Mean for Four Quarters Ending this Quarter	Period Represented	Change	Spreadsheet where factor is used
1999Q1	97.2740			
1999Q2	97.7010			
1999Q3	98.0220			
1999Q4	98.4750	1999		
2000Q1	99.2920			
2000Q2	99.7800			
2000Q3	100.2410			
2000Q4	100.6870	2000	2.18%	
2001Q1	101.5070			
2001Q2	102.2900			
2001Q3	102.6900			
2001Q4	103.1220	2001	2.40%	
2002Q1	103.4700			
2002Q2	103.8530			
2002Q3	104.2800			
2002Q4	104.7860	2002	1.66%	
2003Q1	105.4900			
2003Q2	105.7800			
2003Q3	106.1580			
2003Q4	106.5860	2003	1.83%	Cost of Capital
2004Q1	107.3140	Base Year		
2004Q2	108.1690			
2004Q3	108.5510			
2004Q4	109.1173	2004	2.15%	
2005Q1	109.7563			
2005Q2	110.2563			
2005Q3	110.6821			
2005Q4	111.1676			
2006Q1	111.7773	Forecast Year	4.24%	Financial Exhibit
2006Q2	112.1496		1.84%	Forecast year NLV
2006Q3	112.5827			
2006Q4	113.0906			

R-1 INFORMATION 2003**R-1 INFORMATION 2003****Sch 755:**

	<u>FGHT</u>	<u>PSGR</u>
A) Ln 7 Train Miles	73,913,145	
B) Ln 11 Locomotive Unit Miles	165,463,558	
C) Ln 12 Locomotive Unit Miles Trn Swtg	8,675,538	
D) Ln 98 GTM Road Locomotives (000s)	30,236,142	
E) Ln 115 Trn Hrs Rd Svc	3,816,917	
F) Ln 116 Trn Swtg Hrs	880,697	
G) (Ln 116 * 6 mph) Trn Mi Rd Trn Swtg	5,284,182	
H) (A+G) Total Freight Train Miles	79,197,327	
I) [(Ln 11+Ln12)/Item H] Loco Units per Train	2.20	
J) [(Ln 115+Ln 116)*Item I] Loco Units Hours	10,329,114	
K) Ln 117 Yard Switching Hours	2,162,693	
L) Ln 13 Loco Unit Miles Yard Switching	14,526,876	
M) (Ln 117*6mph) Yard Switching Miles	12,976,158	
N) (Ln 13/Item M) Loco Units per Yard Switch	1.12	
O) (Ln 117*Item N) Loco Unit Hours Yard Switch	2,421,146	

Oneida to Nick's Creek, TN

R-1 INFORMATION 2003

NS 2003 System Car Miles L&ER-1, Sch 755:

Line 30	1,316,369,000	RR L
Line 46	945,833,000	RR E
Line 64	1,033,279,000	PVT L
Line 82	681,318,000	PVT E
		No
Line 84	403,960,000	Payment
	4,380,759,000	

NS 2003 O&T's (excl DUP & incl TRL/CONT)

QCS 2003 L.Anderson-Acct (hardcopy only)

	Carloads					
Ln 48 Col B	Local	4,576,919	*	2	=	9,153,838
Ln 48 Col d	Fwd	538,940	*	1	=	538,940
Ln 48 Col f	Rc'd	1,676,410	*	1	=	1,676,410
Ln 48 Col h	Bridge	<u>52,040</u>	*	0	=	<u>0</u>
		6,844,309				11,369,188

R1 – 2003

R-1 INFORMATION 2003

2003 FRINGE BENEFITS (Sch 410)

		2003	2003	2003	2002
		Labor	Fringes	Fringe	Fringe
<u>Group</u>		<u>(000)</u>	<u>(000)</u>	<u>%</u>	<u>%</u>
WS	Run	109,588	80,558	73.51%	57.08%
	Swtg	7,413	2,801	37.78%	33.58%
	Oth	25,205	5,457	21.65%	19.34%
ME	Loco	72,133	30,376	42.11%	36.95%
	Fght Cars	44,113	16,087	36.47%	32.86%
	Oth	1,052	3,712	352.85%	246.92%
CT	Trn Op	618,576	226,257	36.58%	36.13%
	Yd Op	212,840	77,961	36.63%	33.93%
	Trn & Yd Op	406	161	39.66%	35.59%
	SPSVCOP	30,541	5,272	17.26%	16.81%
	Admin Supp	33,836	14,439	42.67%	35.48%
GA	Gen & Admin	15,500	6,638	42.83%	39.83%

CREW MATERIALS (Sch 410)

Engine Crew Material		
	In 402 Col (c)	75,000
Train Crew Material		
	In 403 Col (c)	1,406,000
Train Insp. & Lubrication		
Wages	In 408 Col (b)	49,728,000
Materials	In 408 Col (c)	185,000

SERVICING LOCOMOTIVES (Sch 410)

System Labor Expense		
	In 411 Col (b)	16,204,000
System Material Expense		
	In 411 Col (c)	7,258,000
System Purchased Expense		
	In 411 Col (d)	4,454,000
System General Expense		
	In 411 Col (e)	-

LOCOMOTIVE REPAIR (Sch 410)

System Labor Expense		
	In 411 Col (b)	58,801,000
System Material Expense		
	In 411 Col (c)	99,212,000
System Purchased Expense		
	In 411 Col (d)	4,918,000
System General Expense		
	In 411 Col (e)	57,000

Investment in Equipment: Diesel Locomotives

R1 – 2003

R-1 INFORMATION 2003

			Beg Yr		End Yr	Avg Yr
Sch 710	Ln 1 Col (b)	Fght	3,221	Col (J)	3,148	3,185
	Ln 2 Col (b)	Psgr	0	Col (J)	0	0
	Ln 4 Col (b)	Swtg	189	Col (J)	187	188
	Ln 9 Col (b)	Aux	<u>77</u>	Col (J)	<u>74</u>	<u>76</u>
			3,487		3,409	3,448
Sch 332	Ln 31 col(d)	Depr	3.58%			
(Reprs)					Labor	
Sch 415	Ln 1 Col (b)	Yd	13,169,000	8.1%		
	Ln 2 Col (b)	Rd	<u>149,819,000</u>	91.9%		
	Ln 5 Col (b)	Total	<u>\$162,988,000</u>			
(Loco Fuel)						
Sch 410	Ln 409 Col (h)		348,847,000	91.8%	49,728	Ln 408 Col (b)
	Ln 425 Col (h)		<u>31,285,000</u>	8.2%	<u>0</u>	Ln 425 Col (b)
			\$380,132,000		\$49,728	\$330,404
(Svc Loco)						
Sch 410	Ln 411 Col (h)		27,916,000	7.7%	16,204	Ln 411 Col (b)
	Ln 427 Col (h)		<u>650,000</u>	2.3%	<u>650</u>	Ln 427 Col (b)
			\$28,566,000		\$16,854	\$11,712

A	B	C	D	E	F	G	H	I	J	K	L	M	N	O	Q	R
1																
2																
3																
4																
5																
6																
7																
8																
9																
10																
11																
12																
13																
14																
15																
16																
17																
18																
19																
20																
21																
22																
23																
24																
25																
26																
27																
28																
29																
30																
31																
32																
33																
34																
35																
36																
37																
38																
39																
40																
41																

	A	B	C	D	E	F	G	H	I	J	K	L	M	N	O	P	Q	R
42																		
43	All Other Cars			\$6,8185		\$0.0214		\$11.5219		\$2.0478		\$0.0070		\$0.0000			1.33	
44	Box-equipped			\$10.4988		\$0.0667		\$17.8869		\$2.3859		\$0.0269					2.07	
45	Box-plain 40	1/		\$0.0000		\$0.0000		\$0.0000		\$0.0000		\$0.0000						
46	Box-plain 50			-\$31.0820		\$0.2226		-\$30.1452		\$0.1673		\$0.0070					(3.49)	
47	Fiat-gen service			-\$0.2224		\$0.0715		\$21.5038		\$4.2993		\$0.0461					2.49	
48	Fiat-multi level	3/		\$105.2025		\$0.1717		\$7.0839		-\$0.1662		\$0.1160					0.82	
49	Fiat-other			\$11.7675		\$0.0772		\$11.4807		\$1.9732		\$0.0202					1.33	
50	Fiat-TOFC/COFC	3/		\$55.0319		\$0.1161		\$4.4828		\$1.6060		\$0.0071					0.52	
51	Gondola-equipped			\$1.7510		\$0.0233		\$15.9127		\$0.0689		\$0.0011					1.84	
52	Gondola-plain			\$3.5070		\$0.0716		\$14.6665		\$5.1347		\$0.0567					1.70	
53	Hopper-covered			\$5.7008		\$0.0537		\$8.9197		\$0.9414		\$0.0124					1.03	
54	Hopper-open S S			\$5.1913		\$0.0965		\$20.3312		\$3.1477		\$0.0636					2.36	
55	Hopper-open top GS			\$4.3733		\$0.0783		\$15.2081		\$3.5728		\$0.0612					1.76	
56	Refer-mechanical			\$24.3895		\$0.1234		\$0.0000		\$0.0000		\$0.0000					0.00	
57	Refer-non mech			\$14.5967		\$0.0902		\$12.3489		\$2.9707		\$0.0270					1.43	
58	Tank--22,000 gals. and over													\$0.2256			0.00	
59	Tank--Under 22,000 gals.													\$0.1601			0.00	
60																		

A	B	C	D	E	F	G	H	I	J	K	L	M
1	Car Type	Hopper-open	SS	18			URCS Cost					
2	Number of Carloads								\$	355	summary page	
3												
4	2001 Unadjusted URCS Variable Cost per Carload						Amount					
5	Less: 1 Interchange Event:											
6	Interchange minutes per event			page 6			L 302	sem per interchange switch event				
7	URCS events			page 1			1 * ERR	2.061 e/l ratio-line 105				
8	Cost per minute			page 6			OP L 315	3.0657 UC per sem-opr				
9				page 6			DR L 317	0.3103 uc per sem-drl				
10				page 6			ROI L 319	0.2267 uc per sem-roi				
11							total	3.6027	23	computed		
12	Add: 1 I&I event:											
13	I&I minutes per event			page 6			L 303	sem per I&I train switch				
14	URCS events			page 1			1 * ERR	2.061 e/l ratio-line 105				
15	Cost per minute			page 6			OP L 315	3.0657 UC per sem-opr				
16				page 6			DR L 317	0.3103 uc per sem-drl				
17				page 6			ROI L 319	0.2267 uc per sem-roi				
18							total	3.6027	13	computed		
19												
20	Deduct: URCS Car Costs:											
21	URCS Car Mile Cost			page 15			L 634-639	35.21				
22	URCS Car Day Cost						L 641-646	85.66	121	computed		
23												
24	Adjusted URCS Cost Excluding Car Costs											
25	Total load and empty miles			page 1			L 111	206	258	266		
26												
27	URCS Car Days:											
28	Running			page 9			L 436	0.34				
29	Interchange			page 9			L 444 * ERR	1.0305				
30	I&I			page 9			L 448	0.514				
31	Additional I&I			page 1			.5 * ERR	1.0305				
32	Industry			page 9			L 446	4				
33	Loading and Unloading-Industry			page 9			L 450	4				
34	Total							10.915				
35												
36	Appendix A Car Costs:											
37	Rents Repairs & Depre. Per day					x	10.915	5.1913	57			
38	ROI per Day					x	10.915	20.3312	222	\$	3.994	
39	Rents Repairs & Depre. Per Mile					x	206	0.0965	20			
40	Pvt Tank car cost per loaded mile					x	206	0.0000	298			
41												
42	Adj. Total Variable Cost per Carload								556			
43												
44	Total Off-Branch Costs Adjusted									\$	10.012	\$ 10,279
45												
46	Holding Gain (Loss) per day * days * Carloads						10.915	2.3556	26	\$	463	

Car Type	Hopper-open top GS	15	Oneida<-> Smok Jct Nov 04	URCS Cost	\$ 1,218	summary page
Number of Carloads						
2001 Unadjusted URCS Variable Cost per Carload						
Less: 1 Interchange Event:						
Interchange minutes per event						
URCS events						
Cost per minute						
URCS Source						
Amount						
L.302 3.9168 sem per interchange switch event						
1 * ERR 1.9886 ell ratio--line 105						
OP L.315 3.0657 UC per sem-opr						
DR L.317 0.3103 uc per sem-drl						
ROI L.319 0.2267 uc per sem-roi						
total 3.6027 28 computed						
Add: 1 I&I event:						
I&I minutes per event						
URCS events						
Cost per minute						
L.303 1.7803 sem per I&I train switch						
1 * ERR 1.9886 ell ratio--line 105						
OP L.315 3.0657 UC per sem-opr						
DR L.317 0.3103 uc per sem-drl						
ROI L.319 0.2267 uc per sem-roi						
total 3.6027 13 computed						
Deduct: URCS Car Costs:						
URCS Car Mile Cost						
URCS Car Day Cost						
L.634-639 96.91 202 computed						
L.641-646 104.59						
Adjusted URCS Cost Excluding Car Costs						
Total load and empty miles						
L.111 1324 1001 1035						
URCS Car Days:						
Running						
Interchange						
I&I						
Additional I&I						
Industry						
Loading and Unloading-Industry						
Total						
L.436 2.1923						
L.444 * ERR 0.9943						
L.448 3.3112						
5 * ERR 0.9943						
L.446 4						
L.450 4						
15.4921						
Appendix A Car Costs:						
Rents Repairs & Depre. Per day						
ROI per Day						
Rents Repairs & Depre. Per Mile						
Pvt Tank car cost per loaded mile						
x 15.4921 4.3733 68						
x 15.4921 15.2081 236						
x 1324 0.0783 104						
x 1324 0.0000 407						
\$ 3,534						
Adj. Total Variable Cost per Carload						
1408						
Total Off-Branch Costs Adjusted						
Holding Gain (Loss) per day * _ days * Carloads						
15.4921 1.7620 27						
\$ 21,121 \$ 22,156						
\$ 409						

	A	B	C	D	E	F	G	H	I	J	K	L	M
1	Car Type												
2	Number of Carloads		Hopper-open S S	1945				URCS Cost		\$ 266	summary page		
3								Amount					
4	2001 Unadjusted URCS Variable Cost per Carload					URCS Source							
5	Less: 1 Interchange Event:												
6	Interchange minutes per event				page 6	L 302		3.9168	sem per interchange switch event				
7	URCS events				page 1	1 * ERR		1.9922	el/ ratio-line 105				
8	Cost per minute				page 6	OP L 315		3.0657	UC per sem-opr				
9					page 6	DR L 317		0.3103	uc per sem-drl				
10					page 6	ROI L 319		0.2267	uc per sem-roi				
11							total	3.6027		28	computed		
12													
13	Add: 1 I&I event:												
14	I&I minutes per event				page 6	L 303		1.7803	sem per I&I train switch				
15	URCS events				page 1	1 * ERR		1.9922	el/ ratio-line 105				
16	Cost per minute				page 6	OP L 315		3.0657	UC per sem-opr				
17					page 6	DR L 317		0.3103	uc per sem-drl				
18					page 6	ROI L 319		0.2267	uc per sem-roi				
19							total	3.6027		13	computed		
20													
21	Deduct: URCS Car Costs:												
22	URCS Car Mile Cost				page 15	L 634-639		0					
23	URCS Car Day Cost					L 641-646		0		0	computed		
24													
25	Adjusted URCS Cost Excluding Car Costs												
26	Total load and empty miles				page 1	L 111		192		250	259		
27													
28	URCS Car Days:												
29	Running				page 9	L 436		0					
30	Interchange				page 9	L 444 * ERR		0.9961					
31	I&I				page 9	L 448		0					
32	Additional I&I				page 1	5 * ERR		0.9961					
33	Industry				page 9	L 446		0					
34	Loading and Unloading-Industry				page 9	L 450		0					
35	Total							1.9922					
36													
37	Appendix A Car Costs:												
38	Rents Repairs & Depre. Per day					x	1.9922	5.1913		10			
39	ROI per Day					x	1.9922	20.3312		41		\$ 78,780	
40	Rents Repairs & Depre. Per Mile					x	192	0.0665		19			
41	Pvt Tank car cost per loaded mile					x	192	0.0000		69			
42													
43	Adj. Total Variable Cost per Carload									320			
44													
45	Total Off-Branch Costs Adjusted											\$ 622,115	\$ 622,374
46													
47	Holding Gain (Loss) per day * _ days * Carloads						1.9922	2.3556		5		\$ 9,128	
48													
49													