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August 2, 2005

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Via HAND DELIVERY

The Honorable Vernon A. Williams
Secretary
Surface Transportation Board
1925 K Street, NW
Washington, DC 20423

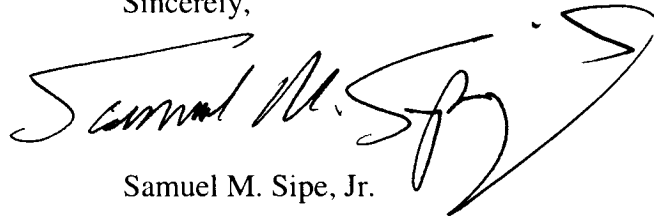
Re: **STB Docket No. 42071, *Otter Tail Power Company v. BNSF Railway Company***

Dear Secretary Williams:

Enclosed for filing in the above-captioned matter are the original and ten copies of the slides used in BNSF Railway Company's presentation during the July 27, 2005 oral argument before the Board. These slides do not contain Confidential or Highly Confidential information and can be included in the public record of this proceeding.

Please date stamp the extra copy of this letter and return it to the messenger who delivered this filing.

Sincerely,



Samuel M. Sipe, Jr.

Enclosures

cc: Counsel for Complainant

SURFACE TRANSPORTATION BOARD

STB Docket No. 42071


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**OTTER TAIL POWER COMPANY
v.
BNSF RAILWAY COMPANY**

**BNSF Railway Company
Oral Argument Handouts**

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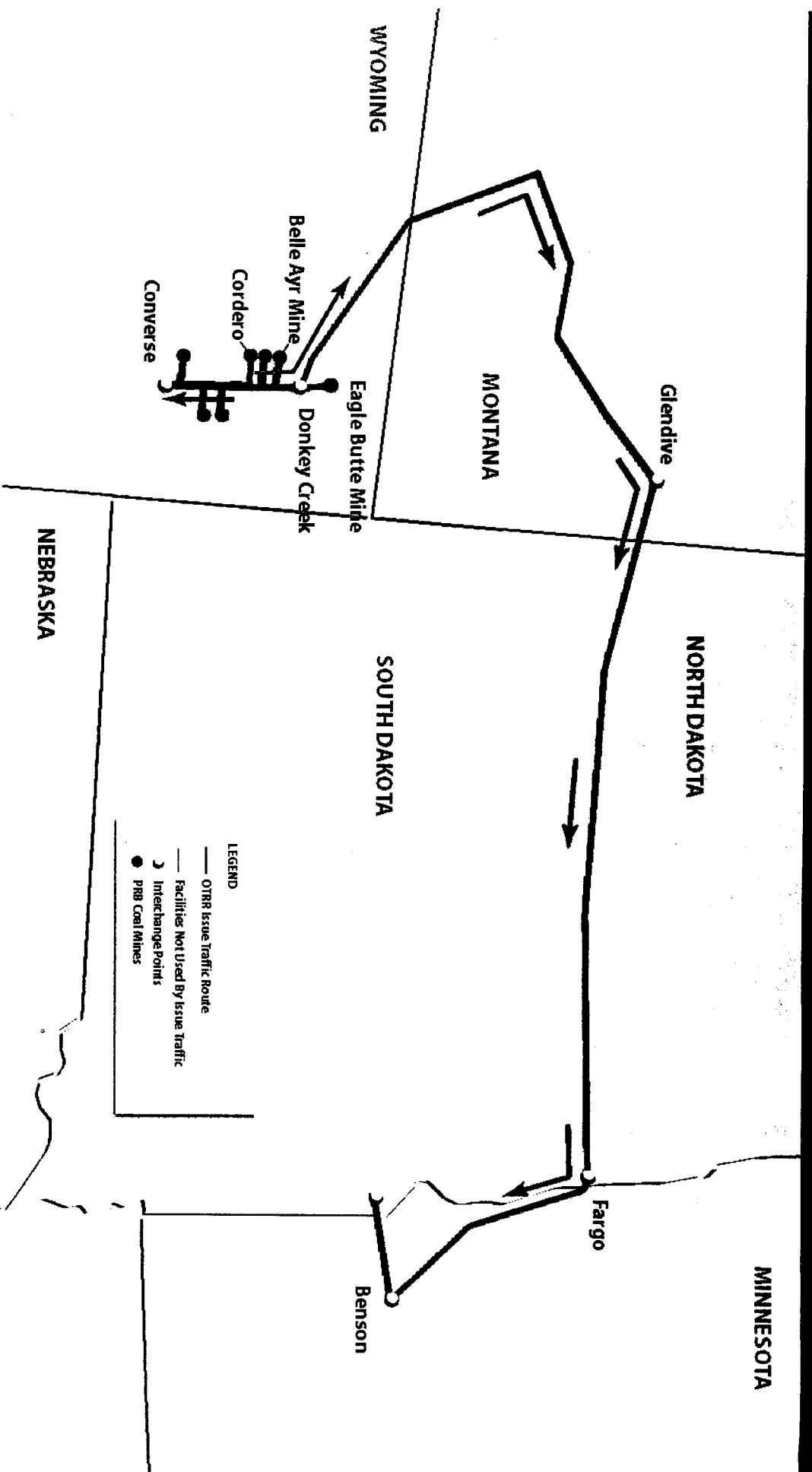
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July 27, 2005

ATTORNEYS FOR
BNSF RAILWAY COMPANY

Facilities Used by Otter Tail's Big Stone Plant and Southern PRB Traffic Exiting at Converse

CLASS FILE: E... ..



**Otter Tail Included Short-Haul PRB
Cross-Over Movements
To Claim Excessive Revenues**

- I. Cordero South PRB Traffic (in Base Year 2002)¹
 - A. 84.5 million tons
 - B. \$86.3 million in revenue
 - C. 80 percent of revenue results exclusively from 100-mile origin credit
 - D. Averages only 24 miles on 1,210-mile OTRR
 - E. One-third of traffic averages 8 miles or less on OTRR
 - F. Per Otter Tail calculations, OTRR length of haul is 2.3% but OTRR receives 10.3% of revenues
 - G. Per Otter Tail calculations, OTRR's share of revenue is almost five times larger than the residual BNSF's on a revenue per ton mile basis
- II. Donkey Creek PRB Traffic (Base Year 2002)²
 - A. 56.6 million tons
 - B. \$57.9 million in revenue
 - C. 87% of revenue is attributable solely to the 100-mile origin credit.
 - D. Averages only 15 miles on 1,210-mile OTRR
 - E. Per Otter Tail calculations, OTRR length of haul is 1.6% but OTRR receives 11.8% of revenue
 - F. Per Otter Tail calculations, OTRR's share of revenue is eight times larger than the residual BNSF's on a revenue per ton mile basis

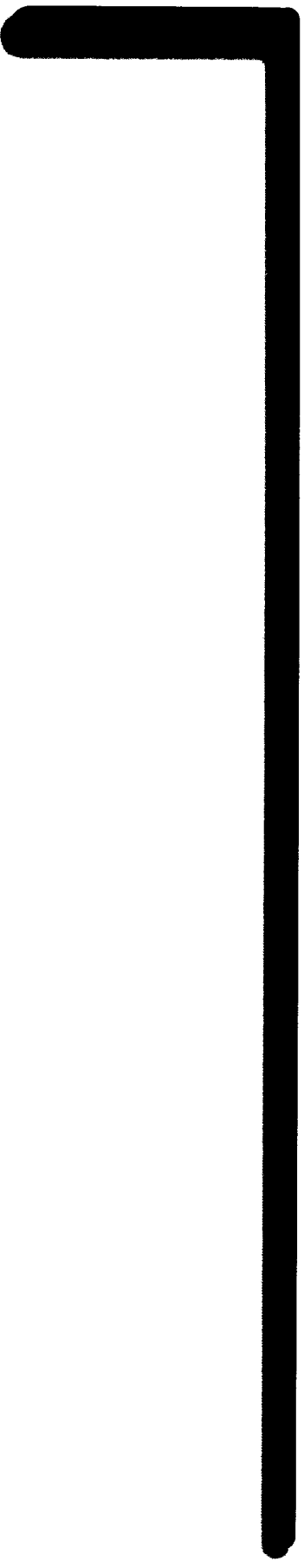
¹ Source: BNSF Supp. Reply Exhibit III.A-2 (3/1/05).

² Source: BNSF Supp. Reply Exhibit III.A-3 (3/1/05).

Hypothetical SARR Has Two Distinct Parts; Revenues Exceed Costs on Each Part

East/West

Revenue = \$1700
Costs = \$1500



Revenue = \$300
Costs = \$200

North/South

15% Rate Reduction Results in Underrecovery of Costs on East/West Lines

East/West

Reduced Revenues
 $\$1700 * (1-15\%) = \1445
Costs = \$1500

Required Adjustment to Revenues
 $\$1445 + \$55 = \$1500$
Costs = \$1500

Reduced Revenues
 $\$300 * (1-15\%) = \255
Costs = \$200

North/South

Excess Revenues Would Suggest A 15% Rate Reduction

East/West

Revenue = \$1700
Costs = \$1500

Revenue = \$300
Costs = \$200

North/South

Total Revenue = \$2000
Total Costs = \$1700 \$300
Revenue Reduction = $\frac{\$300}{\$2000}$ = 15%
Required to Equal Costs