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April 24, 2006



via DHL Express

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

Re: STB Docket No. AB-290 (Sub-No. 254X), Norfolk Southern Railway Company - Petition for Exemption - Discontinuance of Service - Between Halls Ferry Junction, NC and Badin, NC, in Stanly County, North Carolina; **216345**

STB Docket No. AB-290 (Sub-No. 274X), Yadkin Railroad Company - Petition for Exemption - Discontinuance of Service and Operating Rights Under Lease - Between Halls Ferry Junction, NC and Badin, NC, in Stanly County, North Carolina [Re-styled]; **216348**

STB Docket No. AB-149 (Sub-No. 2), Winston-Salem Southbound Railway Company - Petition for Exemption - Discontinuance of Service and Operating Rights Under Lease - Between Whitney, NC and Badin, NC, in Stanly County, North Carolina [Re-styled] **216350**

Amended Petitions for Exemption

Dear Mr. Williams:

Enclosed for filing with the Board in the referenced dockets are an original and ten copies of the amended combined Petitions for Exemption to discontinue rail service over all or part of an 11.11-mile rail line of Norfolk Southern Railway Company (NSR), Yadkin Railroad Company (YRC) and Winston-Salem Southbound Railway Company (WSSB). Also, enclosed are three copies of discs with copies of the combined Petitions in a format that is compatible with the Board's word processing programs

ENTERED  
FILED

Mr. Vernon A. Williams  
Re: AB-290, Sub-No. 254X  
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Petitioners initially filed the Petition in these dockets with the Board on March 30, 2006. Petitioners filed a letter with the Board on April 12, 2006, in which they asked that the Federal Register publication of the notice of the petition for exemption and the procedural schedule in this docket be postponed in order for NSR to submit corrections and conforming changes to the combined Petitions and that the amended filings be accepted as filed on the date that Petitioners filed a fully corrected version of the combined Petitions. Therefore, Petitioners now request that the enclosed amended combined Petitions be substituted for the initial filing under the same filing fee and with a filing date of the date of receipt by the Board, presumably April 25, 2006, rather than the earlier filing date or April 12, 2006 date of Petitioners' letter. Alcoa, Inc., the only shipper on the subject Line, and the owner of the Line, filed a letter with the Board on April 12, 2006. Alcoa stated that it did not oppose Petitioners' request as long as the entire schedule were postponed and Alcoa received the same amount of time to respond to the combined Petitions as it would have if they were submitted on the initial filing date. That is in line with Petitioners' request. In view of the postponement of the Federal Register publication and for other reasons stated in the combined Petitions, no one will be prejudiced by the postponed filing.

The amended Petition clarifies that NSR is seeking an exemption for discontinuance of service and common carrier obligation to provide service over the Line under its lease of the YRC property and shows the basis for that request. The Petition also changes the request of YRC and WSSB from an exemption for abandonment of operating rights to one for discontinuance of service and their common carrier obligations to serve the Line or a Segment of it under leases of the Line, or a Segment of the Line by WSSB, from Alcoa. The three leases are submitted as exhibits. Petitioners further argue on the basis of these documents and additional information and agency and court decisions that Alcoa is not required to seek Board authority to abandon the Line since Alcoa is its owner. Moreover, this supports Petitioners' argument that the Offer of Financial Assistance and Public Use Condition provisions of 49 U.S.C. 10904 and 49 U.S.C. 10905 should not apply to this Line. Conforming amendments and additional discussion of the status of the Line is included.

While it should be immaterial in view of the requested full extension of the schedule, no change is made in the verified statements, appendices and exhibits previously submitted or the text of the petition citing facts or analysis from those statements, appendices or exhibits. Two other one-page exhibits are included.

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We regret any inconvenience to the Board or interested parties, but we believe that clarification of the relief requested is more accurate and will help the Board and interested parties analyze the merits of the combined Petitions with a better understanding of the background matters.

Thank you for your consideration of this matter.

Very truly yours,



James R. Paschall

Enclosures

cc w/ encl.:  
Ms. Sue Koessler  
Alcoa, Inc.  
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Via DHL Express:

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Mr. Vernon A. Williams  
Re: AB-290, Sub-No. 254X  
AB-290, Sub-No. 274X  
AB-149, Sub-No. 2X  
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Mr. Patrick B. Simmons  
Director - Rail Division  
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Raleigh, NC 27699-1533

Ms. JoAnne Sanford, Chair  
North Carolina Utilities Commission  
P. O. Box 29510  
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United States Department of Defense  
Military Traffic Management Command (MTMCTEA)  
Transportation Engineering Agency  
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Mr. Tom Ross, Chief of National Recreation and Trails  
U. S. Department of the Interior - National Park Service  
Recreation Resources Assistance Division  
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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

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STB DOCKET NO. AB-290 (SUB-NO. 254X)

NORFOLK SOUTHERN RAILWAY COMPANY -  
AMENDED PETITION FOR EXEMPTION - DISCONTINUANCE OF SERVICE -  
IN STANLY COUNTY, NORTH CAROLINA

STB DOCKET NO. AB-290 (SUB-NO. 274X)

YADKIN RAILROAD COMPANY -  
AMENDED PETITION FOR EXEMPTION - DISCONTINUANCE OF SERVICE AND  
OF OPERATING RIGHTS UNDER A LEASE -  
IN STANLY COUNTY, NORTH CAROLINA

STB DOCKET NO. AB-149 (SUB-NO. 2)

WINSTON-SALEM SOUTHBOUND RAILWAY COMPANY -  
AMENDED PETITION FOR EXEMPTION - DISCONTINUANCE OF SERVICE AND  
OF OPERATING RIGHTS UNDER A LEASE -  
IN STANLY COUNTY, NORTH CAROLINA

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Attorney for Petitioners Norfolk Southern  
Railway Company, Yadkin Railroad  
Company, Winston-Salem Southbound  
Railway Company

Dated: April 24, 2006

BEFORE THE  
SURFACE TRANSPORTATION BOARD

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STB Docket No. AB-290 (Sub-No. 254X)

Norfolk Southern Railway Company -  
Petition for Exemption - Discontinuance of Service -  
Between Halls Ferry Junction, NC and Badin, NC, in Stanly County, North Carolina

STB Docket No. AB-290 (Sub-No. 274X)

Yadkin Railroad Company -  
Petition for Exemption -  
Discontinuance of Service and Operating Rights Under A Lease -  
Between Halls Ferry Junction, NC and Badin, NC, in Stanly County, North Carolina

STB Docket No. AB-149 (Sub-No. 2)

Winston-Salem Southbound Railway Company -  
Petition for Exemption -  
Discontinuance of Service and Operating Rights Under A Lease -  
Between Whitney, NC and Badin, NC, in Stanly County, North Carolina

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Amended Petitions for Exemptions

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Norfolk Southern Railway Company ("NSR"), Yadkin Railroad Company ("YRC"), a wholly-owned subsidiary of NSR,<sup>1</sup> and the Winston-Salem Southbound

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<sup>1</sup>YRC operated its own property prior to July 1, 1951. Pursuant to a decision without written report in ICC Finance Docket No. 17158, *Carolina and Northwestern Railway Company, Control, Etc.*, 282 I.C.C. 803 (1951), the ICC approved the control and lease and operation of YRC, including YRC's leased property, by Carolina and Northwestern Railway Company (C&NWR), a predecessor of NSR. The July 1, 1951 Lease from YRC to C&NWR is attached as Exhibit 20. C&NWR was merged into Southern Railway Company on June 1, 1988 pursuant to a notice of exemption in ICC Finance Docket No. 31255, *Southern Railway Co. -- Merger Exemption -- Carolina and Northwestern Railway Co.*, 53 FR 16596, May 10, 1988. As a result, NSR, under its

Railway Company ("WSSB"), a Class III switching carrier in which NSR and CSX Transportation Inc. ("CSXT") each hold fifty (50) per cent of the common stock<sup>2</sup>

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previous name of Southern Railway Company, succeeded to control of the lease of YRC and its leased properties and contracts, franchises and privileges. Southern Railway Company changed its name to Norfolk Southern Railway Company effective December 31, 1990. In *Norfolk Southern Railway Company - Corporate Family Transaction Exemption - Yadkin Railroad Company*, (STB Finance Docket No. 33951) (STB served December 12, 2000), NSR renewed its lease of the YRC property, including its rail line, contracts, franchises and privileges, for a period of 25 years with an optional 25-year extension. At that time, YRC was a Class III rail carrier and a non-wholly owned subsidiary of NSR, which owned 90.4 percent of YRC's stock.

NSR's notice of exemption in STB Finance Docket No. 33951 stated on page 4 that: "In fact, no change to rail service or operations is expected as a result of the proposed transaction; NSR will continue to operate the Yadkin line of railroad as part of its unified rail system exactly as it did prior to the transaction." On page 5, the notice stated: "Under the lease, the operation of the railroad will not change." Footnote 1 of the notice stated: "The proposed lease extends the term of the lease arrangement until 2025 with an optional twenty-five year extension thereafter. In addition, other lease terms, including the rental amount have been modernized. The subject matter and essential terms of the lease remain substantially the same." The description of the property covered by the lease on page 2 of the renewed and modernized lease, a copy of which was submitted with the notice, states that the lease includes "without limitation the real property...and all contracts, rights, powers, franchises and privileges of Yadkin."

In 2004, NSR acquired the 9.6 per cent of the YRC stock that it did not own from Roane County, NC. Thus, YRC only recently became a wholly-owned subsidiary of NSR. Regulatory approval is not needed for a controlling carrier to increase its ownership interest in the controlled carrier or to consolidate the controlled carrier into its system. *Southern Pacific Transportation Company - Trackage Rights Exemption - The Houston Belt & Terminal Railway Company*, STB Finance Docket No. 33641 (STB served December 21, 1998) and embraced cases, slip. op. p. 10; *Seaboard Coast Line R. Co. - Invest. Of Control*, 360 I.C.C. 582, 588-589 (1979).

<sup>2</sup>The Executive Committee of the WSSB has authorized NSR to file the petition in STB Docket No. AB-149 (Sub-No. 2) on behalf of WSSB. NSR and CSXT each own 50 per cent of WSSB's common stock. WSSB is operated independently from NSR and CSXT with represented employees under standard rail labor agreements with standard wage and benefit rates and coverage under national benefit plans. A 1995 operating agreement between NSR and CSXT provides for the operation of WSSB as a switching carrier, which handles traffic in the account of its owners. NSR and CSXT compensate

("Petitioners"), hereby file this amended<sup>3</sup> combined petition<sup>4</sup> to the Surface

Transportation Board (the "Board" or "STB"), pursuant to the provisions of 49 U.S.C.

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WSSB on the basis of a schedule of rates that is updated periodically as costs change. NSR and CSXT provide certain administrative and support services to WSSB, such as furnishing it with locomotives.

<sup>3</sup>The combined petitions in these dockets initially were submitted to the Board on March 30, 2005. By letter dated April 12, 2006, Petitioners requested that they be permitted to correct or add to the petition in order to clarify the relief sought and bases for their rights with respect to or operations over the Line, to submit as exhibits the agreements upon which those rights and operations are based, to delay the filing date and Federal Register publication date for the petitions until Petitioners could file an amended and revised combined petition containing corrections and additions required by these changes for clarity and to avoid cross references between the Petition and the letter. Petitioners include additional exhibits, principally the referenced leases, as information and clarification. Petitioners requested an amended petition be accepted under the same filing fees and that the date of filing for purposes of the Board's processing period and procedural schedule be the date this amended Petition is filed.

With the exception of certain current dates and the additional exhibits, the verified statements, attachments and exhibits submitted with this filing are the same as those submitted on March 30, 2006. Corresponding references in the petition to cost, revenue, financial or other information in these statements, attachments and exhibits, thus also remain the same. In view of the postponement of Federal Register date publication of notice of the petition and a procedural schedule, no potential party will be prejudiced by the resubmission, in any event, because they will have the full time to respond and the Board will have the full period to process the proceedings. Thus, the filing date of this amended Petition is the actual first date of the proceeding.

<sup>4</sup>The three amended petitions are filed jointly in one combined document (generally referred to hereafter as "the Petition") because they all concern the same Line of railroad or a Segment of the Line. The amended requests for exemption, which actually result in the same ultimate relief originally requested but are more clearly and correctly described in this Petition, are described in the body of the Petition. Since NSR is the only railroad currently serving the Line and dealing with Alcoa, and YRC is an NSR subsidiary and WSSB is an NSR affiliate, reference may be made in the petition to "NSR" but this should be understood to include the other Petitioners as their interests may be the same, unless the context clearly requires otherwise. Although the petitions are combined in one document, Petitioners submitted separate filing fees for each docket.

10502, as amended, and to the Board's regulations at 49 CFR 1152 Subpart F - *Exempt Abandonments and Discontinuances of Service* for exemption from the prior approval requirements of 49 U.S.C. 10903 for the following purposes.

(1) In Docket No. AB-290 (Sub-No. 254X) NSR seeks an exemption to discontinue rail service over a line of railroad between Milepost WF-0.00 at Halls Ferry Junction, NC and Milepost WF-11.11 at Badin, NC, in Stanly County, NC (the "Line"), under its lease of YRC's property (Exhibit 20 and Footnote 1), which includes YRC's March 28, 1916 two leases of the two Segments of the Line from Alcoa, Inc. ("Alcoa")<sup>5</sup>.

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<sup>5</sup>Alcoa, a large and valued customer of NSR at Warrick, IN and other locations, is the world's leading producer of primary aluminum, fabricated aluminum, and alumina and is also a leading producer of various other consumer and industrial products, including aluminum foil. Alcoa has about 129,000 employees in 42 countries according to recent information on its web site. According to a January 12, 2004 Associated Press news report, approximately 130 of these employees were working at Alcoa's Badin Works on the production of anodes and specialty aluminum at that time. According to the same AP report, as confirmed by Exhibit 9, Alcoa gave layoff notices to 377 employees at its Badin Works when Alcoa shut down its aluminum smelting operations at Badin in August 2002. Officially, Alcoa's Badin smelting operation was "curtailed" at that time, but all signs point to it remaining shut down, as explained in more detail below and in footnote 10. As a result of Alcoa's cessation of production of primary aluminum products at Badin, which was the source of most of the railroad traffic to or from Badin and had already been cut back to 75 percent of capacity in 200, the railroad traffic over the Line in 2005 was down over 90 per cent from its 2001 level.

In a January 9, 2006 press release, attached in relevant part as Exhibit 10, Alcoa announced that in 2005 the company had gross revenues of \$26.2 billion, the highest in Alcoa's history. Despite larger than anticipated raw material, energy, and other costs, including lowered production at refineries in Jamaica and Texas due to the Gulf Coast hurricanes and unusual problems at several overseas facilities, Alcoa had 2005 income from continuing operations of \$1.23 billion. Alcoa noted in that press release that to meet the challenge of significant cost pressures, Alcoa "took aggressive action, passing through significant price increases to downstream customers, improving our mix of value-added products, continuing productivity gains...." which helped Alcoa reduce the impact of the cost pressures, which the company did not foresee being repeated this year.

Alcoa is the sole shipper located on the Line. Alcoa also owns the Line, including right-of-way, track and improvements. The Line, which was constructed by Alcoa before March 28, 1916, consists of two Segments. The first Segment is leased and operated by YRC from Alcoa and the second Segment is leased and operated by YRC and WSSB, jointly, from Alcoa. The Segment of the Line between Milepost WF-0.00 at Halls Ferry Junction, NC and Milepost WF-5.90 at Whitney, NC, in Stanly County, NC (the "Halls Ferry-Whitney Segment") (Exhibit 21)<sup>6</sup> is leased by Alcoa solely to YRC. The Segment of the Line between Milepost WF-5.90 at Whitney, NC and Milepost WF-11.11 at Badin, NC, in Stanly County, NC (the "Whitney-Badin Segment") (Exhibit 22)<sup>7</sup> is

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Alcoa's January 9, 2006 press release stated that Alcoa's "debt to capital ratio" was 30.8 percent, within the company's target range. This ratio compares favorably with NS's debt to capitalization ratio of 42.7 per cent as shown on Norfolk Southern's 2005 Annual Report to shareholders, page 3, available on the NS website.

Alcoa's January 9, 2006 press release, which can be viewed in its entirety on Alcoa's web site, also contains several pages of financial results and other detail not material to this proceeding. The entire press release also contains the standard descriptions of Alcoa and the standard SEC disclaimer concerning forward looking statements that, while omitted in Exhibit 10 and certain other press releases attached as exhibits to this Petition, are shown in Exhibit 9 to this Petition.

<sup>6</sup>In ICC Finance Docket No. 30432, *Yadkin Railroad Company - Exemption - Rail Line Acquisition in Stanly County, NC*, decided May 2, 1984, the ICC granted YRC an exemption for the acquisition of the Halls Ferry-Whitney Segment from Alcoa but the parties ultimately did not close the transaction. Thus, YRC's lease and right to operate the Segment continues to be under the March 28, 1916 lease and NSR's operation of the Segment continues to be pursuant to its lease of YRC's property.

<sup>7</sup>On page 1 of the July 1, 1951 lease from YRC to C&NWR, NSR's predecessor (Exhibit 20), the property YRC leased to C&NWR is described in part as: "All of the railroads and physical properties of Lessor, including leased properties, equipment, material and supplies, and all contracts, rights, powers, franchises and privileges in connection therewith..." When the Lease was renewed, extended and submitted to the

leased by Alcoa jointly to YRC and WSSB.

(2) In Docket No. AB-290 (Sub-No. 274X), YRC seeks an exemption to discontinue service under its March 28, 1916 lease of the Halls Ferry-Whitney Segment from Alcoa (Exhibit 21) and under its March 28, 1916 joint lease with WSSB of the Whitney-Badin Segment from Alcoa (Exhibit 22).

(3) In Docket No. AB-149 (Sub-No. 2), WSSB seeks an exemption to discontinue service over the Whitney-Badin Segment under its March 28, 1916 joint lease with YRC of the Whitney-Badin Segment from Alcoa (Exhibit 22).

The result of the Board's grant of the exemptions and Petitioners' formal discontinuance of service over the Line will be to terminate Petitioners' operating rights under their respective leases with respect to the Line and to extinguish any and all common carrier obligations Petitioners have to provide rail service over the Line or either Segment of it. No other railroad or person will have a common carrier obligation to provide rail service over the Line or either Segment of it. No party will be required to make another filing for Board approval or exemption to totally abandon the Line.<sup>8</sup> Since both Segments of the Line will return to Alcoa as private railroad lines (or perhaps as ordinary real estate) after the Petitioners' discontinuance of service, and Alcoa is not a

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Board under a notice of exemption in 2000, it was updated and expanded but it still covered all of "YRC's railroad," including "all contracts, rights, powers, franchises and privileges."

<sup>8</sup>As Petitioners refer to discontinuance of service throughout the Petition, they include by implication the resulting termination of the operating rights under the leases and the extinguishment of all of their common carrier obligations with respect to the Line described in this paragraph.

rail carrier and does not hold itself out to provide common carrier rail service over the Line, no other Board proceedings are required for Alcoa to abandon or otherwise sell or use the Line. The Line will not be subject to the Board's jurisdiction after Petitioners discontinue service.<sup>9</sup>

*Status of Line Before Lease Date and After Discontinuances; Non-Common Carrier Status of Alcoa.* As explained and supported in greater detail below, both Segments of the Line were private lines of railroad when Alcoa leased them to Petitioners YRC and YRC and WSSB, jointly, and those Petitioners began service over the Segments. There are no other railroad customers located on the Line.<sup>10</sup> Alcoa is not a rail carrier, although it owned certificated short line railroads at other locations in the past,<sup>11</sup> and Petitioners have no evidence that Alcoa or its electric power generating

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<sup>9</sup>Petitioners do not know whether Alcoa will dismantle the Line, informally and privately railbank it, sell it, lease it to a short line operator or operate it itself or through an agent as a private line or even a "contract" line. Regardless, the Line will not be subject to the Board's jurisdiction unless and until Alcoa or another party takes some action that results in the Line becoming a common carrier rail line. Whether a future operation of the Line itself would be subject to the Board's jurisdiction will depend on the facts.

<sup>10</sup>A small business, Yadkin Brick Company, was located along the Halls Ferry-Whitney Segment in the mid to late 1990s and perhaps for some time previously. Petitioners have no record or independent information of any railroad customer other than Alcoa being located along that Segment or the Whitney-Badin Segment. Indeed, as the map derived from the *Mapquest* internet site and attached as Exhibit 23 shows, it is unlikely that other customers could be, or in the past could have been located, along the Whitney-Badin Segment since most of the Segment is located on a causeway in Badin Lake or along the shore line. Alcoa owns thousands of acres of land in the area, including much or all of the property along shore line. (Exhibit 24) It is also worth noting that the map in Exhibit 23 shows the railroad line splits as it enters Badin to run along side both sides of the Alcoa facility.

<sup>11</sup>Petitioners have reviewed a current list of Alcoa's subsidiaries that was

subsidiary and one-time operator of its aluminum plant at Badin, NC, Tallassee Power Company, ever held themselves out as common carriers to provide or to guarantee the availability of service over the Line or either Segment of it. Alcoa does not hold itself out to provide rail service over the Line now, nor does it hold itself out to provide rail service through subsidiaries anywhere else to Petitioners' knowledge. Petitioners do not expect Alcoa to hold itself out to provide such service over the Line in the future, especially since it has divested its former railroad subsidiaries.

Petitioners believe and assert, based on additional facts and precedent cited later, that Alcoa has not become a rail carrier subject to the Board's jurisdiction, much less a common carrier, through the leases of the Line Segments to Petitioners and it could not become a common carrier through any action of Petitioners with respect to the Line during the duration of the leases. Alcoa will not become a rail carrier or common carrier subject to the Board's jurisdiction with respect to the Line simply because Petitioners will surrender possession of the Line under the 1916 leases to Alcoa and Petitioners will discontinue their operations, and obligations to perform service, over the

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submitted to the Securities and Exchange Commission. They have found none that have railroad names or appear to be railroads. Alcoa had rail carrier subsidiaries in other locations as recently as last year, but sold them to RailAmerica pursuant *RailAmerica, Inc., et al. – Control Exemption – Point Comfort and Northern Railway Company, Rockdale, Sandow & Southern Railroad Company, The Massena Terminal Railroad Company, and Bauxite & Northern Railway Company*, STB Finance Docket No. 34758 (STB served October 19, 2005). Alcoa may have conducted or may conduct private rail operations at other locations as well, but other large non-carriers do the same. The rail carriers that Alcoa sold to RailAmerica were between 3 and 13 miles long. They mostly, if not exclusively, served current or former Alcoa facilities. None of them operated in North Carolina. Any service they performed was in their own name pursuant to their own holding out, not as agents of Alcoa.

Line. The Line will again be a private line of railroad, or ordinary real estate, when Alcoa resumes possession of the Line and Alcoa will have no common carrier obligation with respect to it or duty to seek Board approval or exemption to abandon it.

Since Petitioners seek only exemptions to discontinue service and the Line is owned by a non-carrier, Offers of Financial Assistance (OFA) under 49 U.S.C. 10904 or Public Use Conditions under 49 U.S.C. 10905 are not available in these dockets.

*Introduction and Summary of Supporting Evidence.* Further background concerning the Line and an introduction to and summary of Petitioners evidence in support of the requested relief follows.

YRC and WSSB are responsible for the Line's maintenance (except for "extraordinary" maintenance and capital improvements)<sup>12</sup> under YRC's lease of the Halls Ferry-Whitney Segment and YRC's and WSSB's joint lease of the Whitney-Badin Segment.<sup>13</sup> Alcoa is the sole shipper on the Line.

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<sup>12</sup>Section 2 of the March 28, 1916 leases from Alcoa to YRC and to YRC and WSSB, jointly (Exhibits 21 and 22) provides in pertinent part "...that all betterments of said line of railroad, as well as all extraordinary maintenance thereof, such as damage to roadway, embankments, tracks, culverts, building or other structures, caused by or resulting from ponding of water, landslides, fire, Acts of Providence or similar causes, shall be made, and all taxes and assessments levied thereon shall be paid, by and at the sole cost and expense of Lessor..."

<sup>13</sup>Alcoa declines to pay for any of the currently required rehabilitation or maintenance of the Line regardless whether or not the maintenance may be characterized as extraordinary. Since Alcoa does not know whether it ever will require any significant amount of rail service over the Line, NSR can not take issue with Alcoa taking the same position NSR takes with respect to the economic reasonableness of re-investing in and maintaining the Line. The characterization of the rehabilitation expenditures for the Halls Ferry-Whitney Segment, in whole or in part, is not in issue under the circumstances. The important point is that Alcoa will not make the substantial expenditures that are required to keep the Line in service and Petitioners can not do so

*Large, Long Term Reduction in Traffic and Revenues.* Traffic moving over the entire 11.11-mile Line and over the 5.21-mile Whitney-Badin Segment, separately, has declined in excess of 90 per cent since 2001, the year after Alcoa had cut production at its Badin facility to 75 per cent of capacity. The traffic on the Line in the Base Year was

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without fully absorbing them as a complete avoidable loss. Perhaps even more importantly, the Line and the Halls Ferry-Whitney Segment separately are being operated and would be operated under any reasonable forecast of future traffic and revenue, at a sizeable avoidable loss even if extraordinary rehabilitation costs are not taken into account.

Thus, even if Alcoa were to oppose this petition and contend that these rehabilitation costs are YRC's responsibility, and through its lease of YRC, NSR's, responsibility, Alcoa is not prejudiced by NSR including them as support for its requested relief in this case. Alcoa's recent position with NSR with respect to these costs would result in NSR being required to absorb the costs to keep the Line in service if it obligated to do so. In any event, the Line, and the Halls Ferry-Whitney Segment separately, would be operated at a sizeable avoidable loss in the Forecast Year even if extraordinary rehabilitation costs for the Halls-Ferry Whitney Segment are not taken into account.

Additionally, if Alcoa should choose to oppose the petition and to so argue, Alcoa can not credibly claim that YRC was and is obligated under the March 28, 1916 lease of the Halls Ferry-Whitney Segment to maintain that Segment at a higher level than that required to provide service for the shipments that moved over the Line for the last several years, especially while traffic was declining over 90 per cent from 2001 levels, the year after Alcoa had cut back production at its Badin facility to 75 per cent of capacity. Not only would such an investment in the Line by YRC or NSR have been imprudent as well as unnecessary to keep the Line in service for reduced traffic levels, but the language of the lease requires YRC to perform ordinary maintenance which must be viewed as the amount of routine maintenance YRC would perform with respect to any other line with similar traffic levels.

Moreover, in 1916 when the lease was entered into, there were no statutory or regulatory requirements that would have prevented YRC from exercising its unrestricted right under the lease to terminate the lease on 60 days notice without citing any reason for doing so. Thus, YRC could terminate the lease for a reason such as the operation becoming unprofitable. Tallassee Power (Alcoa) could have had no expectation that YRC would maintain and operate the Line at a loss when YRC was free to terminate the lease on 60 days' notice without giving a reason. See Exhibit 21.

reduced to a level of about two carloads per week over the Halls Ferry-Whitney Segment and four additional carloads per week over the Whitney-Badin Segment and continued to decrease for calendar year 2005. (VS Kirchner and Exhibit 2) Alcoa's primary aluminum smelting operation at Badin, NC, the operation which produced most of the traffic that moved over the Line, already had been reduced to 75 per cent of capacity in September 2000, so traffic levels on the Line presumably were higher in 2000 and immediately preceding years. (Exhibit 9)

The decline in traffic over the Line since 2001, the calendar year after Alcoa had cut back production at Badin, NC to 75 per cent of capacity, is shown in the Verified Statement of Marcellus C. Kirchner, Exhibit 2 and the following table:

| Year      | NSR Carloads of Alcoa<br>Traffic Over Entire Line | NSR Haulage of CSXT Carloads of Alcoa<br>Traffic Over Whitney-Badin Segment |
|-----------|---------------------------------------------------|-----------------------------------------------------------------------------|
| 2001      | 1,811                                             | 495                                                                         |
| 2002      | 1,394                                             | 440                                                                         |
| 2003      | 549                                               | 220                                                                         |
| 2004      | 290                                               | 244                                                                         |
| Base Year | 112                                               | 173                                                                         |
| 2005      | 88                                                | 129                                                                         |

NSR includes the revenue received from CSXT for NSR's movement of the CSXT haulage traffic over the Whitney-Badin Segment in its Base Year (\$9,541.00) and Forecast Year (\$9,897.00) income statements.

Of the 88 carloads of traffic handled by NSR over the Line for Alcoa in 2005, 86 were carloads of aluminum billets. The other 2 carloads contained iron or steel ingots.

The 88 carloads of NSR traffic moving over the Line in 2005, less than 2 carloads per week, and the additional 129 carloads of CSXT haulage traffic moving over the Whitney-Badin Segment in 2005, just over 2 additional carloads per week, show a continuation of the decline in traffic over the Line even from quarter to quarter since slightly higher traffic levels are shown for the Base Year ending September 2005.

*Cessation of Primary Alcoa Operations; Uncertain and Speculative Nature of Future Traffic Volume.* Alcoa ceased primary aluminum smelting operations at Badin altogether in August 2002, although it has operated the plant on a greatly reduced scale to produce a small amount of specialty products since then.<sup>14</sup> Alcoa continues to describe the status of smelting operations at the Badin plant as a "curtailment."<sup>15</sup> After nearly four years, however, Alcoa has made no definite statement concerning when, if ever, primary aluminum smelting operations at Badin, NC will resume. About a year ago, an Alcoa representative stated to an NSR representative in an e-mail that recommendations and plans for the Badin facility would be forthcoming from Alcoa within about two months, but Alcoa has made no definite statement about resuming

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<sup>14</sup>Alcoa's July 31, 2002 press release announcing the cessation of aluminum production at Badin is attached as Exhibit 9. Note that Alcoa states that the Badin plant, which had the capacity to produce 120,000 metric tons of aluminum per year, already had been operating at the reduced level of 90,000 metric tons of production per year since September 2000. Alcoa cited escalating energy and labor costs that have made smelters less globally competitive and its need to manage assets carefully during weak economic conditions for its actions. Of course, economic conditions have improved dramatically since that date, as Exhibit 10 shows, but the smelting and production of primary aluminum at Badin has not resumed.

<sup>15</sup>See Exhibit 11, a page concerning Alcoa Power Generating, Inc., Yadkin Division and the Badin Works from the Alcoa web site.

smelting operations and primary aluminum production at Badin and the smelter at Badin remains shut down.<sup>16</sup>

Alcoa's actions in building and adding to smelting capacity at other locations, including overseas, during a period of economic growth and record revenues for Alcoa, however, as detailed in the following footnote, suggest that the future resumption of smelting operations and aluminum production at Badin is unlikely and must be deemed speculative, at best.<sup>17</sup> Indeed, Alcoa can not even guarantee that the minimal operation

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<sup>16</sup>The Alcoa representative, Robert G. Uffelman, wrote an e-mail to NSR's Sarah B. Corey on March 17, 2005, in which he stated that Alcoa had a high level team working on making recommendations to Alcoa's executive management concerning the options for the Badin Works, which he expected in April or early May 2005. Nonetheless, Alcoa has released no specific information concerning when, if ever, production of aluminum at Badin and increased rail traffic to and from Alcoa's Badin facility may resume.

<sup>17</sup>See Exhibit 12, a September 25, 2003 Alcoa press release concerning a feasibility study for the location of a smelter in Brunei; Exhibit 13, an excerpt from Alcoa's 2003 Annual Report on Alcoa smelter capacity and opportunities for construction and expansion at several locations, not including Badin, NC; Exhibit 14, an August 4, 2005 Alcoa press release concerning an agreement to restart an aluminum smelter in Tema, Ghana; Exhibit 15, a March 1, 2006 Alcoa press release concerning a feasibility study for Alcoa to build a smelter in Iceland; Exhibit 16, a March 7, 2006 Alcoa press release concerning the completion of and start of production at an expanded smelter in Brazil; and Exhibits 17 and 18, Alcoa press releases of February 16, 2006 and March 13, 2006 concerning the construction of a proposed aluminum smelter in Trinidad. During this same period of time, Alcoa has reopened its Wenatchee, WA smelter that had been shut down in part because Alcoa found it more profitable to sell electricity from the companion hydroelectric facilities during recent energy shortages in the Pacific Northwest than to operate the smelter; has expanded its principal facility at Warrick (Newburgh), IN; and has expanded a facility in Quebec, Canada, all of which can be confirmed from information on the Alcoa web site. In the midst of all this growth and expansion, Alcoa has made no move to resume its smelting operations and primary aluminum production at its Badin, NC facility. It has not even mentioned the possibility in its public statements about additions to capacity. General descriptions of Alcoa and a standard SEC disclaimer about forward looking statements have been omitted from most of these exhibits to keep them to one page. These paragraphs are shown in

remaining at Badin will continue for any significant period of time.<sup>18</sup>

*Basis of Operations over the Line; Current Operations.* The Line was built prior to March 28, 1916 by Alcoa's hydroelectric power generation subsidiary, Tallassee Power Company, now known as Alcoa Power Generating Inc., Yadkin Division ("APGI-Yadkin"), which also built and for a time operated the Badin facility.<sup>19</sup> On March 28, 1916, Tallassee Power (Alcoa) leased the Halls Ferry-Whitney Segment to YRC (Exhibit 21) and the Whitney-Badin Segment to YRC and WSSB jointly (Exhibit 22). Section 4 of the March 28, 1916 lease of the Halls Ferry-Whitney Segment to YRC and Section 8 of the March 28, 1916 lease of the Whitney-Badin Segment to YRC and WSSB, jointly provide that the lessee or lessees can discontinue operation of the railroad line,

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Exhibit 9, however.

<sup>18</sup>An Associated Press report of January 12, 2004, available on the Lexis/Nexis service, stated that Alcoa Inc.'s Badin Works had been awarded a two-year contract to supply 31,000 metric tons of anodes per year to Venco Coke Co. The report noted that the Badin plant employed about 130 people and that the contract might save about 34 jobs. NSR has seen no report that the Alcoa-Venco contract has been renewed, although admittedly this may not mean it has not been. If, however, the contract has not been renewed, the already small production from the Badin Works apparently will be further reduced. If the anodes have not been shipped by rail as "aluminum billets," they have been moving by truck in any event. In either case, if the contract has not been renewed, Alcoa presumably has even less use for the Badin facility.

<sup>19</sup>The transmission assets that connect the four APGI-Yadkin hydroelectric plants to Alcoa's Badin, NC smelter were originally installed as feeder lines that supplied self-generated hydroelectric power directly to Alcoa's industrial load. For many years the Alcoa - Yadkin system was operated for that purpose with minimal interconnection to a larger transmission network. With aluminum smelting operations at the Badin Works suspended, Alcoa uses the electricity from this system for other operations or sells it on the open market. Alcoa's 10-K filing with the U. S. Securities and Exchange Commission, dated February 17, 2006, states on page 10 that power generated from APGI's Yadkin system is largely being sold to an affiliate, Alcoa Power Marketing, Inc.

surrender it to the lessor and terminate the lease upon sixty (60) days' written notice to the lessor.<sup>20</sup> Since 1996, only NSR has provided service over the Line and switching for Alcoa at Badin.

WSSB has not provided service over the Whitney-Badin Segment pursuant to its operating rights under the March 28, 1916 joint lease to WSSB and YRC of that Segment (Exhibit 22) since 1996 because in that year, NSR and CSXT entered into a haulage agreement under which NSR handles cars in CSXT's account<sup>21</sup> over the Whitney-Badin Segment in lieu of WSSB's switching of those cars over that Segment. Under this haulage arrangement, NSR interchanges cars in CSXT's account moving to or from Badin with WSSB at Whitney, NC (Milepost WF-5.90; WSSB Milepost 48.9). WSSB in turn interchanges those cars with CSXT at Wadesboro, NC (WSSB Milepost 87.5). CSXT and NSR decided the haulage arrangement would be more efficient than

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<sup>20</sup>Because the ICC had not yet been given jurisdiction over the lease and operation of rail lines in 1916, neither the March 28, 1916 leases from Alcoa to YRC and to YRC and WSSB, nor the railroads' operations over the Line were subject to regulatory agency review and approval when they were executed. Congress did not grant the ICC jurisdiction over the construction, lease, operation or abandonment of railroad lines until the enactment of the Transportation Act of 1920. Any ICC approval or authority Petitioners might have needed with respect to their lease and operation of the Line Segments, if any, would have been obtained through the "grandfather" provisions of the Act. Even today, the lease of the Line Segments by a non-carrier to Petitioners would not have been subject to ICC and now STB jurisdiction. While we do not have the additional clarity that an application or petition to the ICC concerning lease and operation of the Line Segments might have afforded, we have enough information to know that the Line Segments were private lines when leased and operated to Petitioners, will be private lines when returned to Alcoa and that Alcoa is not a common carrier, nor has it held itself out to be a common carrier with respect to the subject Line.

<sup>21</sup>CSXT has no line that reaches either the Line to be abandoned or to Badin and has no lease or other operating rights that would permit it to reach Badin directly.

the previous two-carrier operation over the Whitney-Badin Segment and the two-carrier switching operation at Alcoa's Badin Works. NSR and CSXT also considered it more economical for NSR to pick up or drop off the CSXT traffic at Whitney and handle it over the Whitney-Badin Segment for a small fee rather than for NSR and CSXT, as joint owners of WSSB, to subsidize WSSB's losses to handle this traffic, which would include the cost of using an additional crew mainly and probably entirely for handling Alcoa traffic over the Segment and performing switching for Alcoa at Badin.<sup>22</sup>

*Petitioners' Avoidable Losses from Operations and Forecast Year Avoidable Losses; Rehabilitation Costs for Halls Ferry-Whitney Segment.* NSR incurred an avoidable loss from maintenance and operation of the Line of \$358,881.00 in the Base Year ending September 2005 and calculates an avoidable loss from operations of \$369,466.00 in the Forecast Year ending February 2007. (VS Kirchner and Exhibit 3) Since the Halls Ferry-Whitney Segment requires immediate rehabilitation to FRA Class I standards at an estimated expenditure of \$516,602.00 (VS Morell and Exhibit 3, Page 1, Line 11), NSR's avoidable loss from maintaining and operating the Line, including the subsidization cost of rehabilitating the Halls Ferry-Whitney Segment and return on value, actually would be \$888,693 in the Forecast Year. (VS Kirchner and Exhibit 3, Line 19)

Under a hypothetical, and very conservative, calculation of WSSB revenues and

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<sup>22</sup>As noted in the text below, CSXT pays NSR a fee for hauling its cars over the Whitney-Badin Segment in lieu of the WSSB switching operation, the costs of which ultimately would accrue to them equally as WSSB's joint owners. NSR includes the revenues from that fee in the revenues derived from traffic handled by it over the Line.

costs for WSSB to maintain the Line and provide service to Alcoa over the Whitney-Badin Segment only, as detailed below and in the Verified Statement of Marcellus C. Kirchner and Exhibit 6, WSSB would have incurred an avoidable loss from operations over that Segment of \$229,485.00 in the Base Year and would incur an avoidable loss from operations over the Whitney-Badin Segment of \$238,991.00 in the Forecast Year.<sup>23</sup>

*Alcoa's Alternative Transportation Options.* For the small amount of remaining aluminum billet or iron and steel ingot traffic to and from Badin, NC, Alcoa has the option of using direct motor carrier service from the several haulers of large or extra-heavy commodities as well as large, general commodity motor carriers that serve the area where it is located, almost directly between the Piedmont Triad cities of Winston-Salem, NC, Greensboro, NC and High Point, NC, on the one hand, and Charlotte, NC, on the other hand, which are about 100 miles apart. Several of these motor carriers are identified below.

Aluminum billets also can be transported in rail-motor transload service,<sup>24</sup> which

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<sup>23</sup>The Whitney-Badin Segment does not need extraordinary rehabilitation or maintenance in the Forecast Year. It is not surprising that WSSB would have a large hypothetical avoidable loss from operations if it were to take over sole operation of this Segment. It is a union operation and its costs are similar to its parent companies' costs. NSR and CSXT absorb some of the costs through provision of materials, equipment and services and otherwise provide WSSB with switching revenue intended to cover its other costs.

<sup>24</sup>While not located in North Carolina, as an example of the feasibility of such transload service for aluminum billets, see the web site of Transfer Services, Inc., based in Cedar Rapids, Iowa. Transfer Services, Inc. provides rail-to-truck transload services to eastern Iowa industries. With lift capabilities up to 25 tons, products handled by Transfer Services, Inc. include appliances, copper cakes, metal coils, rebar, aluminum

NSR provides or can provide at Winston-Salem, NC, Greensboro, NC and Charlotte, NC and CSXT provides such service at Charlotte, NC. Any argument that such commodities can not be moved in transload service is belied by the information in the footnote.

*Alcoa's Additional Options as Owner of the Line.* While no OFA is possible for other parties in this proceeding, no OFA would be necessary for Alcoa to acquire the Line. Alcoa already owns the Line,<sup>25</sup> including the right-of way and track, material and fixtures.<sup>26</sup> Thus, Alcoa does not even need to go to the trouble or take the time and expense to acquire the Line to preserve it or avail itself of other options for the Line's use. Alcoa can rehabilitate the Line, operate it itself as a private line, engage a short line or set up some other alternate operation, sell the Line to a short line operator as it has done with its former rail subsidiaries (see footnote 11) or informally and privately railbank it. Alcoa has several viable options with respect to the Line if Alcoa believes it may have a future, or even a current, need for continued or expanded rail service over the Line, or the Whitney-Badin Segment.

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billets, paper, newsprint, lumber shingles and wallboard. See <http://www.alliantenergy.com>. It is notable with respect to the feasibility of transload service and the Transfer Service, Inc. transload service for aluminum billets at Cedar Rapids, IA, as well that Alcoa has a large facility at Davenport, IA.

<sup>25</sup>As noted in footnote 6, in ICC Finance Docket No. 30432, *Yadkin Railroad Company - Exemption - Rail Line Acquisition in Stanly County, NC*, decided May 2, 1984, the ICC granted YRC an exemption for the acquisition of the Halls Ferry-Whitney Segment from Alcoa but the parties did not close the transaction.

<sup>26</sup>Therefore, petitioners will not salvage the fixtures, track or materials or convey or use the real estate after consummation of the abandonment of their operating rights and NSR's formal discontinuance of service.

*Conclusive Support for Exemption Requests, No Need for Applications, Standards for Exemptions Are Met.* Petitioners show in specific and conclusive detail in this Petition that NSR clearly can not maintain and provide service over the entire Line and WSSB can not maintain and provide service over the Whitney-Badin Segment under current or reasonably forecast future revenues from traffic moving over the Line or the Whitney-Badin Segment. Continuation of such service simply will result in Petitioners incurring substantial and unrecoverable avoidable losses. NSR and WSSB used conservative costing assumptions and calculated revenues and costs according to the specifications and requirements in the Board's abandonment regulations to reach their conclusions. They have also submitted workpapers to support their accounting and calculations. No more information or greater detail would have been produced, and potential opponents of the Petitions would have no greater opportunity to respond to Petitioners' evidence, if the Petitioners had filed applications instead of Petitions.

The support provided in this Petition for the discontinuance of service over the Line and over the Whitney-Badin Segment, separately, under the respective applicable leases is clear, substantial and irrefutable. The filing of formal applications to discontinue service over the Line or either Segment of the Line would not add to or change the evidence or lead to a result other than authorization by the Board of the discontinuances of service over the entire Line, including the Whitney-Badin Segment.

The length of this Petition provides no basis for a contrary conclusion because much of its length results from the need to show in detail the extensive background for the lease and operation of the Line and the status of the Line after the discontinuances

become effective. While it may be necessary to present this detailed background to the Board, it does not affect the merits of the petitions or the clear and obvious support provided for the exemption. It raises few, if any related issues. Even if Alcoa were to oppose the Petition, the substance of Petitioners' evidence and argument shows that this is not a close case and the Petition should be granted.

Section 10502 of Title 49, as amended, directs the Board to exempt a transaction or service when the Board finds that the transaction or service satisfies certain statutory criteria. As already summarized above, NSR, YRC and WSSB demonstrate in this Petition that the discontinuances for which they seek exemptions satisfy those statutory criteria.<sup>27</sup>

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<sup>27</sup>As the ICC stated in *Hanson Natural Resources Company -- Non-Common Carrier Status -- Petition For A Declaratory Order*, ICC Finance Docket No. 32248 (ICC served December 5, 1994), agency proceedings concerning private lines are relatively rare. This case has the additional complication that all material past facts may not be known because of the duration of the lease. The facts of this case as known to Petitioners are very similar, but not identical, to the facts in the small number of other cases involving private lines. Most or all of these cases involved construction or operation of the line, not discontinuance of service or abandonment of the Line. It is by no means obvious that all of the factors that have been important in construction or operation cases may have the same, or any, weight in discontinuance cases.

In this case, the leases provide that Petitioners will perform ordinary maintenance of the Line. It was not until the decision in *New York Central R.R. v. Southern Ry.*, 226 F. Supp. 463 (N.D. Ill. 1964), aff'd per curiam, 338 F.2d 667 (7th Cir. 1964), cert. denied, 380 U.S. 954 (1965), reh'g denied, 381 U.S. 907 (1965) that maintenance responsibility became a consideration in determining the status of a Line. Moreover, it may be that Petitioners undertook this responsibility because the costs would be covered by revenue from the regulated common carrier rates Alcoa expected to be charged for transportation over the Line Segments.

In *B. Willis, C.P.A., Inc. -- Petition For Declaratory Order*, STB Finance Docket No. 34013 (STB served October 10, 2001) the Board stated that "if a shipper does not hold out to provide common carrier railroad service over a line it constructs and

## Further Information

Further information supporting exemptions for the proposed discontinuances is as follows:

(1) **Exact Name of Petitioners.** The Petitioners are Norfolk Southern Railway Company ("NSR"), Yadkin Railroad Company ("YRC"), a wholly-owned subsidiary of NSR, and the Winston-Salem Southbound Railway Company ("WSSB"), in

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maintains to serve its own facility, and no other shippers are served by the line, then neither that construction, nor a railroad's operation over that track to reach the shipper's facility, requires ICC or Board authorization or approval." It would follow that the railroad's abandonment of the operation of such a line also would not require Board authorization, approval of exemption. See *Wisconsin & Michigan Railway Company – Discontinuance of Service Exemption – In Ashland and Iron Counties, WI and Gogebic County, MI*, STB Docket No. AB-440X (STB served October 22, 1997). It appears these conditions apply and have applied to the Whitney-Badin Segment under the known facts for the duration of the lease, as further discussed in the text. They did not apply all along as to the Halls Ferry-Whitney Segment where a customer that has been closed for several years was located at one time. The existence of only a former and not a current customer on the Line Segment, however, would seem to have more importance in construction or operation cases than in discontinuance or abandonment cases where the cessation of service would not affect the former customer. As far as Petitioners know, no other shippers have been located on the Whitney-Badin Segment.

Thus, it may be arguable, under these unusual facts, Petitioners should not be required to seek Board approval or exemption to discontinue service over the Line or at least the Whitney-Badin Segment. The Segments were private lines when leased and will become private lines again when the leases are terminated and Petitioners' operations over them are discontinued. The Board may make such a determination to the extent the record in this proceeding supports it. Petitioners could not have acted on this basis or theory except by filing a petition for declaratory order or by taking unilateral action that would like be followed by the filing of a formal complaint by Alcoa. In either case, they might need to continue service over a Line that imminently needs rehabilitation for a longer period than the handling of this Petition for Exemption to discontinue service would take. Thus, the most prudent and conservative course for Petitioners to avoid unacceptable delay was to file this Petition, which is sufficiently supported, and to note the possible additional decisional basis.

which NSR and CSX Transportation Inc. ("CSXT") each have a fifty (50) per cent ownership interest. NSR is a common carrier by railroad which operates a railroad system in 20 States throughout the Eastern United States, including North Carolina, and Ontario, Canada. NSR, formerly known as Southern Railway Company, is a wholly-owned subsidiary of Norfolk Southern Corporation, a non-carrier. Norfolk and Western Railway Company was merged into NSR, effective December 31, 1990. Pennsylvania Lines, LLC, a former subsidiary of Consolidated Rail Corporation, was merged into NSR, effective August 27, 2004. Yadkin Railroad Company is a wholly-owned subsidiary of NSR. YRC is a common carrier by railroad which owns approximately 30 miles of railroad line between Albemarle, NC and Yadkin Junction (near Salisbury), NC and leases the 11.11-mile subject Line in two Segments from Alcoa, Inc. YRC's property, in turn, is leased to and operated by its parent company, NSR, pursuant to ICC authority and STB exemption cited above. WSSB is a Class III switching railroad which owns and operates approximately 87.7 miles of main line between Winston-Salem, NC and Wadesboro, NC, has rights to operate over approximately 11 miles of additional line under contract or trackage rights and switches traffic in the account of its two parent companies, NSR and CSXT to and from customers on its lines. WSSB is operated by represented contract employees. The 5.21 miles of the Whitney-Badin Segment of the subject Line are included in the additional 11 miles of line leased or operated under trackage rights by WSSB. WSSB connects with NSR at Winston-Salem, NC and Lexington, NC, as well as at Whitney, NC, and with CSXT at Wadesboro, NC.

(2) **Common Carrier Status of Petitioners.** Petitioners are common carriers by railroad subject to 49 U.S.C. Subtitle IV, Part A, Chapter 105.

(3) **Relief Sought.** Pursuant to 49 U.S.C. 10502, as amended, and the Board's regulations at 49 CFR 1152 Subpart F - *Exempt Abandonments and Discontinuances of Service*, the relief sought by Petitioners are exemptions from the prior approval requirements of 49 U.S.C. 10903 so that NSR may discontinue service over the Line under its lease of YRC's property, including YRC's leased property (Exhibit 20 and Footnote 1); so that YRC may discontinue service under its March 28, 1916 lease from Alcoa of the Halls Ferry-Whitney Segment of the Line between Milepost WF-0.00 at Halls Ferry Junction, NC and Milepost WF-5.90 at Whitney, NC (Exhibit 21) and of the Whitney-Badin Segment of the Line under its March 28, 1916 joint lease with WSSB from Alcoa of the Line Segment between Milepost WF-5.90 at Whitney, NC and Milepost WF-11.11 at Badin, NC (Exhibit 22); and so that WSSB may discontinue service under its March 28, 1916 joint lease with YRC from Alcoa of the Whitney-Badin Segment of the Line between approximately Milepost WF-5.90 at Whitney, NC and Milepost WF-11.11 at Badin, NC (Exhibit 22), without being required to list the Line or the Whitney-Badin Segment on their respective system diagram maps or to submit full long-form applications for prior approval and Board authorization. The discontinuances will extinguish any common carrier obligations that any of the Petitioners have with respect to the Line or either Segment of it.

(4) **Map.** A map of the Halls Ferry Junction-Whitney-Badin, NC Line over which Petitioners propose to discontinue service is attached as Exhibit 1.

(5) **System Diagram Map.** This Line has not been included as a rail line to be abandoned or over which service is to be discontinued on NSR's and its affiliates' system diagram map or on WSSB's system diagram maps because Petitioners did not expect to file an abandonment or discontinuance application with respect to the Line or either Segment of it. As a practical matter, with respect to notice concerning the future operation of the Line, NSR and Alcoa, the only shipper on the Line, have been discussing the status and future of the Line for several years.

(6) **Brief Statement of Reason for Petition.** The only shipper on the Line, and the owner of the Line, Alcoa, ceased its aluminum smelting operation and primary aluminum production at Badin in 2002 after having already reduced its output from the Badin Works by 25 per cent in 2000. Most of the production at the Badin facility and most of the railroad traffic moving to and from the facility (alumina) was connected with or produced by the smelting operations. Traffic over the Line, including the Whitney-Badin Segment, thus has declined over 90 percent since 2001, the calendar year after Alcoa already had reduced its aluminum smelting operation at Badin, NC to 75 percent of capacity.

NSR moved only 88 carloads of traffic moved over the entire Line in calendar year 2005. Thus, less than 2 carloads per week moved over the Halls Ferry-Whitney Segment of the Line. This Segment, which NSR must use to reach the Badin facility, requires immediate rehabilitation estimated to cost \$516,602. Since the Line is already operated at an avoidable loss, NSR would not be able to recover this expenditure if it were made. An additional 129 carloads of CSXT haulage traffic moved over the

Whitney-Badin Segment during the same year, but the revenue to NSR from that traffic was less than \$10,000. (VS Kirchner) Alcoa can provide no assurance, much less a guarantee that any funds spent on the rehabilitation and maintenance of the Halls Ferry-Whitney Segment can be recovered from the revenue from future traffic that is certain or even reasonably forecast to move over the Line. Neither Alcoa, if it opposes the Petition, or any other party can show that the Line or Whitney-Badin Segment separately could be operated at a profit during the Forecast Year or immediate future, whether that profit would be due to rate increases, reduced costs, contributions of Alcoa to the rehabilitation and maintenance of the Line or the Whitney-Badin Segment or increased traffic on the Line, or some combination of these factors.

NSR operated the Line at an avoidable loss from maintenance and transportation operations of \$358,881.00 in the Base Year ending September 2005 and would operate the Line at an avoidable loss from operations of \$369,466.00 to NSR in the Forecast Year ending February 2007. (VS Kirchner and Exhibit 3, Line 7) Since the Halls Ferry-Whitney Segment requires immediate rehabilitation to FRA Class I standards, NSR's avoidable loss from maintaining and operating the Line actually would be \$888,693 in the Forecast Year. (VS Kirchner and Exhibit 3, Line 19)

Under a hypothetical, and very conservative, calculation of probable WSSB revenues and costs to maintain the Line and provide service to Alcoa over the Whitney-Badin Segment alone if the NSR and YRC petitions were granted but the WSSB petition was denied despite WSSB not providing service over the Segment for ten (10) years, WSSB would have incurred an avoidable loss from operations over that Segment of

\$229,485.00 in the Base Year and would incur an avoidable loss from operations over the Segment of \$238,991.00 in the Forecast Year.<sup>28</sup> (VS Kirchner and Exhibit 6)

For the small amount of remaining aluminum billet (or iron and steel ingot) traffic that may continue to move from Badin, NC in the foreseeable future, Alcoa has the option of using direct motor carrier service from the several haulers of large or heavy commodities that serve the area. Alcoa even has the option of using rail-motor transload service. Alcoa has used motor carrier service for manufactured products moving from Badin in the past. Alcoa also owns the Line and can rehabilitate it, find another operator for it, sell it to a short line rail carrier or holding company or informally and privately railbank it if it believes it may have a need or future need for continued or expanded rail service over the Line.

(7) **Petitioners' Representative.** Counsel for Petitioners to whom correspondence may be sent is:

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

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

(8) **Zip Codes Traversed; Stations.** The Line proposed for discontinuance of service by NSR and YRC (as to the entire Line) and WSSB (as to the Whitney-Badin, NC segment) traverses United States Postal Service Zip Code 28001.

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<sup>28</sup> The Whitney-Badin Segment does not currently need the rehabilitation and extraordinary maintenance required to keep the Halls Ferry-Whitney Segment in service in the Forecast Year.

The Line serves, and if the Petition were granted service would be discontinued at, the active station of Badin, NC and the former or inactive station of Isenhour, NC,<sup>29</sup> which took the rate basis of the off-line station of Albemarle, NC. The former or inactive station of Isenhour, NC is located on the Halls Ferry Junction-Whitney Segment of the Line at about Milepost WF-3.90 in an unpopulated, unincorporated, rural area with no current business or industry.

NSR will continue to serve the station of Halls Ferry Junction, NC. WSSB will continue to serve the station of Whitney, NC. Whitney, NC also is unincorporated area without listed population on the U.S. Census Bureau list of North Carolina locations or a recent Rand-McNally Road Atlas. Since the YRC and WSSB lines are built on causeways in Badin Lake at Whitney, it is unlikely that any local traffic could originate or terminate at that station in any event.

#### **Operations, Maintenance, Condition of Whitney-Badin Line Segment; Rehabilitation and Repair Costs**

There is no overhead traffic on the Line.

NSR operations over the Line and at Badin, NC are described in detail in the attached Verified Statement of Marcellus C. Kirchner and Exhibit 3 notes.

NSR operates local train service over the Line and provides switching to Alcoa at, Badin, NC on a 5-day per week basis despite the reduced traffic levels. NSR must

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<sup>29</sup>Isenhour, NC is not shown in NSR's division timetable station list or on its most recent system map and station list. It was shown on older maps and the Railroad Station List. Neither the U. S. Census Bureau nor a recent Rand-McNally *Road Atlas* list Isenhour, which is an unincorporated, unpopulated, rural location. A small shipper, Yadkin Brick Company, which was closed several years ago, was located at Isenhour.

operate over the entire Line in order to serve Alcoa's facility at Badin. In fact, the NSR crew serving Badin begins its daily work assignment at Badin by switching at the plant and picking up any outbound traffic.

In order to use the most conservative possible assumptions for the cost of the hypothetical WSSB service to and movements over the Whitney-Badin Segment, Petitioners assume that WSSB would provide service to Badin only 3 days per week. As the Verified Statement shows, very conservative assumptions were used in the calculation of costs based on these operations. Under the circumstances of declining traffic over the Line from quarter to quarter and the uncertainty concerning future traffic or whether the Badin facility will be operated at all, even the use of Base Year traffic for Forecast Year traffic is a conservative assumption. Alcoa presumably would wish to continue 5-day per week operations and traffic levels might be even lower.

The attached Verified Statement of Stephen H. Morrell and exhibits thereto describe in detail the condition of the Line, the currently necessary rehabilitation of the Halls Ferry-Whitney Segment and its costs and the costs of normal repair and maintenance of both Segments of the Line. Mr. Morrell shows that the Halls Ferry-Whitney Segment requires immediate rehabilitation to FRA Class I standards at a cost of \$516,602 if it is to remain in service. Otherwise, NSR will need to suspend service over the Line in the near future. Mr. Morrell supports his analysis of the condition of the Line from a personal inspection of the Line, bridge reports from detailed inspections of the bridge on the Line by NSR bridge supervisors and other inspection records. He

makes conservative cost assumptions in line with the Board's regulations that are based on the minimum work required to restore the Line to FRA Class I track conditions.

Mr. Morrell shows that the Halls Ferry-Whitney Segment of the Line requires immediate rehabilitation to FRA Class I track standards at a cost calculated in accordance with the Board's regulations at 49 C.F.R. 1152.32(m)(1)(i) to be \$516,602. In his verified statement, Mr. Morrell describes in detail the rehabilitation work that is required and he notes the sources and amounts of the costs of the work in detail.

Mr. Morrell also describes the cuts that were made through hills in numerous places during construction of the Halls Ferry-Whitney Segment of the Line by Tallassee Power (Alcoa). This construction method left the Line in a depression in many spots, leading to poor drainage and adverse effects on soil stability and tie condition. It is reasonable to conclude the parties which entered into the 1916 leases providing that the lessor, which had built the Line, would fund extraordinary maintenance related to "ponding of water" understood from the beginning that this would be a greater than normal maintenance problem because of the manner in which the Halls Ferry-Whitney Segment was constructed and the location of the Whitney-Badin Segment on causeways and the shore line of a lake.

#### **Reasons for Discontinuance of Service, Operating Rights and Common Carrier Obligations**

*Traffic Level Decline Exceeding 90 Per Cent; Future Traffic Levels Speculative.*

Traffic over the 11.11-mile Halls Ferry Junction-Badin, NC Line as a whole, and over the 5.21-mile Whitney-Badin, NC Line Segment, separately, has declined over 90 per cent

between 2001 and 2005. The only shipper on the Line, Alcoa, shut down the primary aluminum smelting operation at Badin, NC that was the source of most of the traffic moving over the Line in August 2002 after reducing its operations at Badin to 75 per cent of capacity in September 2000. Alcoa has given no specific indication that its primary aluminum smelting and production operations at Badin will be resumed. At the same time, Alcoa has been expanding such capacity or building new plants at other locations. Petitioners have no assurance, and have good reason for doubt, that any volume of traffic will move over the Line in the future. Any prospect that Alcoa will resume the primary operation of smelting and producing aluminum at the Badin Works or that revenue from Alcoa traffic that may move over the Line in the future under rates sufficient to recover the costs of rehabilitation, maintenance and operation of the Line, much less yield a profit, is speculative at best.

*Passage of Time While Traffic Declines, Losses Increase; No Viable Options for Petitioners Found.* NSR has continued to provide rail transportation service to Alcoa at Badin, NC at a considerable and increasing avoidable loss from maintenance and operations over the Line for several years while traffic over the Line has been declining precipitously. NSR has given Alcoa sufficient time, nearly four years, to decide upon the future of the Badin Works in an improved economy with the Line still in operation. NSR should not be required to continue to sustain the avoidable losses from continued operation of the Line nor to incur substantial and unrecoverable rehabilitation costs to restore the Halls Ferry-Badin Segment to FRA Class I track standards in order to give Alcoa rail transportation for small amounts of traffic that could move by truck or a

contingent rail transportation alternative for speculative future traffic. Enough time has passed, during a good economy, to show that Alcoa is not likely to restore its smelting operation at Badin, one of its smallest and oldest plants and among its most expensive plants to operate. Similarly, WSSB should not be required to incur a considerable avoidable loss to hire a new crew and to provide maintenance and resume operations over the Whitney-Badin Segment for minimal traffic or on the basis of speculative future traffic increases.

*Insufficient Revenues; Rehabilitation Costs.* Alcoa will not fund rehabilitation or repair of the Line and will not assure or guarantee sufficient revenues or traffic levels at high enough rates for Petitioners to earn sufficient revenue to recover any rehabilitation or repair costs invested in the Line or its Segments. Indeed, revenue from current traffic over the Line already falls far short of providing NSR, and hypothetically WSSB at to the Whitney-Badin Segment, with sufficient revenue to recover the costs of normalized maintenance and operation of the Line or the Whitney-Badin Segment, much less make a profit.

*Avoidable Losses; Rehabilitation Costs.* NSR operated the Line at an avoidable loss from maintenance and operation of \$358,881.00 in the Base Year ending September 2005 and would operate at an avoidable loss from operations of \$369,466.00 in the Forecast Year ending February 2007. (VS Kirchner and Exhibit 3, Line 17) Since the Halls Ferry-Whitney Segment requires immediate rehabilitation to FRA Class I standards, NSR's avoidable loss from maintaining and operating the Line in the Forecast Year actually would be \$888,693. (VS Morrell and Exhibit 3, Line 19)

Under a hypothetical, and very conservative, calculation of WSSB revenues and costs to maintain the Line and provide service to Alcoa over the Whitney-Badin Segment alone, WSSB would have incurred an avoidable loss from operations over that Segment of \$229,485.00 in the Base Year and an avoidable loss from operations over the Segment of \$238,991.00 in the Forecast Year. No extraordinary rehabilitation or maintenance costs for continued operation of the Whitney-Badin Segment would yet be required in the Forecast Year. (VS Kirchner and Exhibit 6, Line 17)

*Transportation Alternatives; Alcoa Ownership of Line.* For the small amount of remaining aluminum billet traffic that may continue to move to and from Badin, NC, Alcoa has the option of using direct motor carrier service from the several haulers of heavy commodities that serve the area or rail-motor transload service. See the section below that specifically discusses transportation alternatives in detail. Alcoa owns the Line and can rehabilitate it, operate it or find a contractor or agent to operate it, sell it to a short line rail carrier or holding company or informally and privately railbank it if Alcoa believes that it may have a future need for expanded service over the Line or that a short line could perform the current reduced operation profitably.

*Better Allocation of Petitioners' Limited Resources.* Formal discontinuance of service over the subject Line will allow Petitioners to avoid spending scarce rehabilitation and maintenance funds and resources to repair, maintain and operate a Line (or a Segment of the Line) over which traffic and resulting revenue have declined to the point that normalized maintenance and operations can not be performed by Petitioners without incurring considerable avoidable loss. In addition, formal

discontinuance of service will allow NSR to avoid the expenditure of substantial sums for rehabilitation of the Whitney-Badin Segment in the Forecast Year. These expenditures can not be recovered from reasonably forecast revenue earned from reasonably forecast future traffic that could be expected to move over the Line in the Forecast Year and the foreseeable. Petitioners should be able to invest their resources on projects that will yield a return on investment and will benefit customers more generally rather than on a project which will result in a considerable avoidable loss. This loss would be incurred for the mostly contingent benefit of a single customer with transportation alternatives for its modest amount of remaining future traffic (if any) from this location.

**Summary of Key Traffic, Revenue and Cost Information; Net Liquidation Value;  
No Opportunity Costs Except Small Working Capital Amount**

The traffic, revenue and cost information for NSR's rehabilitation, maintenance and operation of the Line is contained in Exhibits 2 and 3 and the corresponding information for WSSB's hypothetical maintenance and operation of the Whitney-Badin Segment is contained in Exhibit 6. This information is explained in the verified statement of Marcellus C. Kirchner and, as to maintenance and rehabilitation costs, in the verified statement of Stephen H. Morrell. Note that Mr. Morrell personally inspected the subject Line and supports his description of its condition and estimates of the costs of rehabilitation with detailed records as well as personal observation. He also used the most conservative reasonable assumptions and the requirements of the Board's regulations in determining rehabilitation costs only to FRA Class I track standards.

NSR has provided, in notes and narrative, the methods and assumptions used to calculate the data in these petitions and has disclosed the input sources used in the calculations (Uniform System of Accounts and Railroad Annual Report R-1). Data computations are referenced to specific sections of the regulations at 49 CFR 1152.

NSR has calculated no opportunity cost to retain the Line because the Line, including the right-of-way, track, material and fixtures, is owned by Alcoa. The total valuation of the property is only the working capital of \$17,651.00 for the entire Line and \$6,389.00 for the Whitney-Badin Segment.

The key revenue, cost, avoidable loss, rehabilitation cost, net liquidation value and opportunity cost information for the Line and the Whitney-Badin Line Segment separately, from the verified statements and exhibits just cited, mainly Exhibit 3 with respect to the entire Line and Exhibit 6 with respect to the Whitney-Badin Segment, is shown in the following table. The Base Year is October 2004 through September 2005<sup>30</sup> and the Forecast Year is March 2006 through February 2007.

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<sup>30</sup>Although this Base Year will be slightly beyond the period designated by the Board's regulation for base year information in abandonment applications when this amended Petition is filed, no one will be prejudiced by use of the October 2004 – September 2005 period as the Base Year. The initially filed petition showed, and this corrected petition restates, that traffic levels, and thus revenues, were even lower for the calendar year 2005. Crew normalized maintenance costs, the main costs, would not have been correspondingly lower. Moreover, the small departure from the designated time period is not significant. Petitions need not contain information and analysis conforming strictly to the designated base year periods for applications, but need only have representative information and analysis sufficient to support the issuance of an exemption. See *CSX Transportation, Inc. -- Abandonment Exemption -- In Guernsey County, OH*, STB Docket No. AB-55 (Sub-No. 576X) (STB served November 22, 1999). Since traffic over the Line continued to decline in the following quarter, this information and analysis is representative, and indeed, is more favorable to any opponent of the Petition than updating the analysis by one quarter would be. Interested parties also will have had more time to analyze the information that has been available for over three additional weeks from the initial filing.

|                                                                            | Base Year<br>Line - NSR | Forecast/<br>Subsidy Year<br>Line - NSR | WSSB Base Year<br>Whitney-Badin<br>Hypothetical | WSSB Forecast/<br>Subsidy Year<br>Whitney-Badin |
|----------------------------------------------------------------------------|-------------------------|-----------------------------------------|-------------------------------------------------|-------------------------------------------------|
| Revenues<br>Attributable to Line                                           | \$251,449               | \$260,826                               | \$43,595                                        | \$45,221                                        |
| Total Avoidable<br>Costs                                                   | \$619,871               | \$640,189                               | \$318,237                                       | \$330,104                                       |
| Total Return<br>on Value                                                   |                         | \$2,625                                 |                                                 | \$2,013                                         |
| Avoidable <b>Loss</b><br>From Operations<br>Only                           | \$358,881               | \$369,466                               | \$274,642                                       | \$284,883                                       |
| Avoidable <b>Loss</b><br>From Operations<br>Including<br>Return On Value   |                         | \$372,091                               |                                                 | \$286,869                                       |
| Rehabilitation/<br>Repair Costs                                            |                         | \$516,602                               |                                                 |                                                 |
| Avoidable <b>Loss</b><br>Including Subsidy<br>Costs and Return<br>On Value |                         | \$888,693                               |                                                 | \$286,869                                       |

The currently estimated rehabilitation cost of \$516,602.00 for work imminently required to keep the Halls Ferry-Whitney Segment in service would be the principal element of any subsidization cost for the Line for the Subsidization Year. The Subsidization Year is the same as the Forecast Year for purposes of these petitions.

As the Verified Statements of Marcellus C. Kirchner and Stephen H. Morrell show, NSR used very conservative assumptions in the calculation of revenues and costs, including the revenues and costs of the hypothetical WSSB movement of all

traffic over the Whitney-Badin Segment in the Forecast Year. These conservative assumptions result in understatement of the actual avoidable losses to NSR (or, hypothetically) WSSB from maintenance and operation of the Line or of the Whitney-Badin Segment alone, as well as understatement of the forecasted avoidable losses and rehabilitation costs in the Forecast Year. The calculations of costs and avoidable losses and their presentation in the Petition are in accord with the Board's abandonment costing regulations. They are based on clearly identified, regular records and information supported by detailed workpapers.

**Efforts to Continue Service; Alternate Service Options; Transportation Alternatives; Transportation Network**

*Efforts to Continue Service; Uncertain Future of Badin Facility.* Over the past several years, at least since the shut down of Alcoa's smelting operations and primary aluminum production at Badin, NC in August 2002, NSR has discussed with Alcoa various options, including Alcoa funding options, for the rehabilitation and maintenance of the Halls Ferry-Whitney Segment and the maintenance and continued operation of the entire Line in view of the great reduction in traffic volume over the past five years. The parties have discussed possible future traffic or revenue possibilities and their timing, as well as other cost reduction possibilities, to preserve rail service to Alcoa at Badin. Understandably, since Alcoa can give no indication that the discontinued aluminum smelting and production operations at Badin will be resumed, or that even that the current operation at Badin will continue for an extended period of time, Alcoa also does not wish to spend any money on the rehabilitation and maintenance of all or

any part of the Line. There are no other shippers on the Line or any current possibilities for additional business to develop over the Line in the Forecast Year or the foreseeable future. Moreover, the Whitney-Badin Segment is surrounded almost entirely by water, preserved woodlands or shore line housing and recreational facilities. Most, if not all, of the immediately surrounding property is owned by Alcoa or federal agencies. (Exhibit 24)

*Renewed WSSB Service Only Would Result in Large Avoidable Losses.* NSR (or YRC) must use the entire Line to handle traffic to and from Badin, NC. Renewed WSSB service to Alcoa at Badin, NC would not require use of the Halls Ferry-Whitney Segment but nonetheless would result in a significant avoidable loss to WSSB if WSSB were required to maintain the 5.21-mile Whitney-Badin Segment and to continue to operate over it following nearly ten years of neither maintaining nor operating over the Line. This hypothetical avoidable loss is shown in detail in the Verified Statement of Marcellus C. Kirchner and Exhibit 6. Thus, retention of service over the Whitney-Badin Segment and service over it only by WSSB is not a viable alternative.

*Highway System.* Although Alcoa's Badin Works is located in the small town of Badin, NC, it is located about 50 miles from Charlotte, NC and about 60 to 65 highway miles from the Piedmont Triad cities of Greensboro, NC, High Point, NC and Winston-Salem, NC. About five miles from Badin over state route N.C. 790, north-south highway route U.S. 52 provides easy access north to Interstate Highway 85, which in turn leads to Winston-Salem, NC, High Point, NC and Greensboro, NC. About 40 miles to the south, U.S. 52 is intersected by east-west highway route U.S. 74, a 4-lane divided

highway that can be used to reach the main north-south Interstate Highway 95 between Maine and Florida or to reach the Port of Wilmington, NC further to the east. Three miles north from the intersection of U.S. 52 and N.C. 790, about five miles from Badin, U.S. 52 intersects state highway route N.C. 49, which runs southwest to northeast. N.C. 49 provides a shorter, approximately 40-mile route to I-85 south at Charlotte, NC. This route also provides easy access over about a 30-mile route, some of it 4-lane divided highway, to the northeast to U.S. 220, an interstate highway quality road which is about 25 miles from Greensboro at the point the two highways intersect.

*Availability of Specialized and General Motor Carrier and Transload Service.*

Numerous trucking firms, including motor carriers specializing in flatbed and heavy haul trucking, hold their companies out to operate nationwide, including the central North Carolina area. Thus, trucking companies that operate in the area could provide Alcoa with either direct motor carrier service or potential rail-motor transload service at Charlotte, NC, Winston-Salem, NC or Greensboro, NC for any of the limited transportation needs that Alcoa may continue to have for traffic to or from its Badin facility<sup>31</sup> and evidently some of these companies have provided such service to Alcoa at this location.

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<sup>31</sup>An internet site of a Stanly County resident and railfan, [www.frograil.com](http://www.frograil.com), states that Alcoa had been shipping aluminum ingots by truck prior to the cessation of smelting operations at its Badin, NC facility. Moreover, NSR serves Alcoa's facility at Warrick, IN and is aware of a significant movement of ingots or billets via motor carrier between Alcoa's Davenport, IA and Warrick, IN facilities.

Specialized, flatbed or heavy haul trucking companies operating in the region, in addition to many general truckload carriers,<sup>32</sup> include<sup>33</sup>: Miller Transfer of Rootstown, Ohio, with an operating location in Charlotte, NC, provides nationwide transportation service of heavy loads with flatbed, dropdeck, multi-axle or transporter trailer equipment. Dallas & Mavis Specialized Carrier Co., with terminals or agents in many locations, including Charlotte, NC, states that it can handle any commodity, and any kind of fabricated product, as well as boats, conveyors, and cranes and that it offers an array of specialized equipment selected to make shipments - whatever size, whatever type - travel across country, coast-to-coast, on-time, with maximum safety. Dallas & Mavis states that it can provide an extensive range of trailers including flatbeds (with or without sides), stepdecks, lowboys, and specially built trailers capable of handling aluminum, steel, machinery, dies, construction equipment, lumber, building materials, modular buildings, fabricated products, over-sized loads, and more. Anderson Trucking Service, Inc., through its ATS Specialized, Inc., division, provides specialized, flatbed and heavy haul service nationwide. It has terminal locations at Hickory, NC and Charlotte, NC. Swift Transportation Inc., now the nation's largest publicly held truckload motor carrier, has a flatbed division and a heavy haul division. Swift has terminals at

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<sup>32</sup>The Charlotte area and Piedmont Triad cities of Greensboro, High Point and Winston-Salem are served by such nationwide trucking companies as CNF Incorporated, Roadway Corporation, Schneider National Incorporated, Yellow Corporation, USF Corporation, Arkansas Best Corporation, Overnight Transportation, Watkins Motor Lines Incorporated, Estes Express Lines Incorporated (noted below for its specialized carrier capacity), and Averitt Express Incorporated.

<sup>33</sup>Information concerning all of these motor carriers can be obtained from their web sites.

Eden, NC and Richmond, VA and offers nationwide service. Estes Truckload, Inc., headquartered in Richmond, VA, holds itself out to transport all sizes of shipments, including offering a wide variety of volume and truckload transportation services for shipments that are excessively heavy or large in size. Maverick Transportation, Inc. of Hope, AR, with a terminal at Jarratt, VA, provides mainly flatbed trucking services for shipment of such commodities as steel and building materials. Thus, in addition to the wide range of general truckload carriers, Alcoa has available many specialized motor carriers that can provide direct truck and transload transportation alternatives for its remaining traffic to and from Badin, NC.

### **Communities on Line**

The only community on the Line at which rail service will be is Badin, NC (population 1,154 in the 2000 United States Census). The former or inactive station of Isenhour, NC, is an unpopulated, unincorporated rural location with no remaining business or industry. Service will not be discontinued to the stations of Halls Ferry Junction, NC and Whitney, NC. Whitney, NC too is an unpopulated, unincorporated rural location. In fact, the YRC and WSSB lines at Whitney, NC are on causeways and the immediate area is mostly under the waters of Badin Lake, developed for residential or recreational use, preserved timberland or otherwise unsuitable for industrial development.

### **Statement Concerning Federally Granted Right of Way**

The Line is owned by Alcoa so NSR must assume that the Line does not contain

federally granted right-of-way. Any relevant documentation on this matter that is later found by NSR or brought to NSR's attention will be made available promptly to anyone requesting it.

### **Title Search**

Alcoa, Inc., the only shipper on the Line, owns the right-of-way, track, material and fixtures. Thus, Petitioners need perform no title search with respect to the right-of-way because none of the Petitioners is entitled to convey or dispose of the right-of-way after rail service over the Line is discontinued.

### **Passenger Service**

There is no passenger service on the Line.

### **Draft Federal Register Notice**

A draft notice of NSR's petition for exemption to be published by the Board in the Federal Register within 20 days of the petition's filing, and a copy of the draft notice contained on discs compatible with the Board's current word processing capabilities, are attached or included with the filing of this petition.

### **Each of the Petitions in this Combined Petition Meets the Standards for the Board's Exemption of the Discontinuances of Service Over a Rail Line**

Under 49 U.S.C. 10903, a rail line may not be abandoned or service over a rail line may not be formally discontinued without the Board's prior approval. Under 49 U.S.C. 10502, however, the Board is directed to exempt a transaction or service from otherwise applicable regulatory requirements or procedures when the Board 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.

Petitioners clearly have demonstrated that continued maintenance and operation of both the entire Line and the Whitney-Badin Segment separately are burdens on interstate commerce.<sup>34</sup> Petitioners' evidence shows that the costs of the maintenance and operation of the entire Line and the Whitney-Badin Segment, separately, exceed the revenues attributable to or reasonably forecast to be obtained from the traffic expected to move over Line or the Whitney-Badin Segment in the Forecast Year. Of course, this means the entire cost of the imminently required rehabilitation of the Halls Ferry-Whitney Segment could not be recovered from those revenues. In fact, given the continuing decline in the traffic and the uncertainty concerning the renewal of Alcoa's contract with Venco Coke or its operation of the remaining active part of the Badin facility generally, even fewer carloads may be expected to move over the Line in the Forecast Year than moved in the Base Year.

Petitioners have shown that keeping the entire Line or the Whitney-Badin Segment in service would impose a burden on Petitioners that outweighs the harm that would befall Alcoa, the single shipper located on the Line and the owner of the Line. In view of the very low and declining level of traffic on the Line and uncertain future of the remaining small operation at Alcoa's Badin facility, there would be no adverse impacts

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<sup>34</sup>Petitioners will not repeat the possible alternatives suggested in footnote 27, but provide some additional basis for their argument that the Line Segments will be returned to Alcoa as private rail lines, and should not be subject to OFAs, below.

on the shipping public as a whole or impacts on rural and community development if rail service over the entire Line, including the Whitney-Badin Segment, were discontinued and all common carrier obligations with respect to the Line were extinguished. In any event, the substantial financial burden on Petitioners to continue service over the Line outweighs additional economic costs or inconvenience to the single large and profitable shipper that would result from discontinuance of rail service over the Line.

In this case, detailed scrutiny under 49 U.S.C. 10903 is not necessary to carry out the rail transportation policy. Although Alcoa, the only active shipper on the Line at Badin, NC, may oppose the Petitioners' discontinuances of service over the Line, Petitioners believe that Alcoa will be able to offer no concrete evidence to support a position that the Line or the Whitney-Badin Segment separately can be maintained and operated profitably and that therefore Petitioners should be compelled to keep them in service despite the avoidable losses they would incur from doing so. Petitioners believe that Alcoa will be unable to refute or counter Petitioners' evidence that the revenues they can expect from handling any reasonably projected level of traffic for Alcoa over the Line in the Forecast Year or foreseeable future are and will be clearly well below the costs to NSR to rehabilitate, maintain and operate the Line or for WSSB to resume maintenance and operation of the Whitney-Badin Segment.

NSR has shown in this Petition that the Line was operated at a substantial avoidable loss from operations of \$358,881 in the Base Year ending September 30, 2005 and the Whitney-Badin Segment would have been operated by WSSB at a substantial avoidable loss of \$274,642 in that same Base Year under conservative

costing assumptions. Moreover, NSR would operate the Line at an avoidable loss from operations of \$369,499 in the Forecast Year through February 2007 and, in the alternative, WSSB hypothetically and conservatively would operate the Whitney-Badin Segment at an avoidable loss from operations of \$284,883 in the same Forecast Year of March 2006 through February 2007. Furthermore, even less traffic moved over the Line in calendar 2005 than in the Base Year.

While WSSB's avoidable loss to maintain and operate the Whitney-Badin Segment would rise slightly to \$286,896 in the Forecast Year if return on value were taken into account, NSR's avoidable loss in the Forecast Year would expand to \$888,693 for rehabilitation, maintenance and operation of the entire Line if the \$516,602 in immediately required rehabilitation costs for the Halls Ferry-Whitney Segment to bring that segment up to FRA Class I track standards and return on value are included in its costs.

Petitioners can not expect to recover any amounts expended or costs incurred for rehabilitation or maintenance for the entire Line or either Segment of it in the Forecast Year, much less at any certain time in the future, from projected revenues from continued operations for the sole customer on the Line, Alcoa. Those revenues were only \$260,862 for NSR for operation over the entire Line and would be only \$45,221 for WSSB's hypothetical switching operation to serve the Whitney-Badin Segment in the Forecast Year. Moreover, future traffic levels over the Line are uncertain at best, and may not even continue at their current levels, which are over 90 per cent lower than the levels of 2001 and previous years. Traffic on the Whitney-Badin Segment is less than

one carload per business day on average. Accordingly, requiring NSR or its wholly-owned subsidiary YRC to expend significant funds to rehabilitate, repair, maintain and provide service on the entire Line or requiring WSSB to maintain and operate the Whitney-Badin Segment when the Line has been operated and can be operated only at a large avoidable loss would be an unreasonable burden on the Petitioners and on interstate commerce.

By minimizing the administrative expense of the application process, an exemption for the discontinuance of Petitioners YRC's and WSSB's<sup>35</sup> service over and common carrier obligations with respect to the Line and the Whitney-Badin Segment respectively, under their leases from Alcoa (Exhibits 21 and 22) and discontinuance of NSR's service over the Line under its lease of the YRC property (Exhibit 20 and Footnote 1) and its common carrier obligation to serve Line, will reduce regulatory barriers to exit [49 U.S.C. 10101(7)]. An exemption for the proposed discontinuances also will foster sound economic conditions and encourage efficient management by allowing NSR and YRC to avoid the unrecoverable cost of rehabilitating, maintaining and operating the Line, and the Halls Ferry-Whitney Segment in particular, and allowing WSSB to avoid the unrecoverable cost of maintaining and operating the Whitney-Badin Segment [49 U.S.C. 10101(5) and (9)] only to provide service at an avoidable loss. Other aspects of the rail transportation policy will not be affected adversely by the

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<sup>35</sup>Thus, the WSSB discontinuance may be based on the NSR evidence that would be similar and shows that any service over the Line would be unprofitable or based on the economic infeasibility WSSB's hypothetical resumed service over the Whitney-Badin Segment separately as shown in the conservatively based analysis of such resumed service that is submitted with this petition.

discontinuances of service and extinguishment of common carrier obligations. The discontinuances of service over the Line, including the Whitney-Badin Segment, will allow Petitioners to spend their maintenance funds and use their forces on more productive projects that will benefit the shipping public more generally, including Alcoa at other locations.

Regulation of the transaction is not necessary to protect shippers from an abuse of market power. Alcoa, Inc., the only active shipper on the Line has transportation alternatives and in any event can use its ownership of the Line to provide itself with still others. Alcoa's traffic over the Line has declined precipitously in the past several years and now stands at greatly reduced traffic levels, averaging about 1.5 carloads per week over the entire Line and four (4) carloads per week over the Whitney-Badin Segment. Alcoa suspended major smelting operations at Badin, NC in 2002 and gives no indication almost four years later whether those operations will definitely resume and what level of railroad service it may need in the future at Badin. Indeed, its actions over the past several years in constructing new smelting capacity and expanding other existing smelting operations both in the United States and overseas indicate that it is unlikely to resume major operations at the Badin facility.

Alcoa's Badin facility is located about 50 miles from Charlotte, NC and about 60 to 65 miles from Winston-Salem, NC, High Point, NC and Greensboro, NC and is served by a good system of roads and interstate highways. With the number of motor carriers, including specialized carriers and heavy haulers, that serve the area, several of which are identified in the Petition above, Alcoa has motor carrier and rail-motor

transload transportation alternatives for its current traffic to or from Badin, NC, including any reasonably forecasted future traffic to and from that facility.

Even were Alcoa to incur higher transportation costs due to being required to switch to alternative forms of transportation for its remaining shipments, the Board previously has held on numerous occasions that the fact that a shipper may incur inconvenience and increased shipping costs for alternate transportation is not a basis for denying an abandonment or discontinuance of service application or exemption that is supported by the railroad's application or petition and is in the public interest. The public interest will be better served by the Petitioners' discontinuance of service over this lightly used and expensive to maintain Line because the discontinuance of service will permit Petitioners to cease (or not be required to resume) operation of uneconomic and excess facilities where alternative transportation to replace the railroad operation is available. *San Pedro Railroad Operating Company, LLC - Abandonment Exemption - In Cochise County, AZ*, STB Docket No. AB-1081X (STB served February 3, 2006); *Chicago and North Western Transp. Co.-Abandonment*, 354 I.C.C. 1, 7 (1977).

It is well settled that a railroad will not be required to operate a rail line simply to prevent shippers from incurring higher transportation costs by truck. See *Wisconsin Central Ltd. - Abandonment - In Ozaukee, Sheboygan and Manitowoc Counties, WI*, STB Docket No. AB-303 (Sub-No. 27), (STB served October 18, 2004); *CSX Transportation, Inc.-Abandonment Exemption-In Harrison County, WV*, STB Docket No. AB-55 (Sub-No. 563X) (STB served Sept. 25, 1998). It would be especially ironic in this case if Alcoa, which has suspended most operations at its Badin facility for a prolonged

and indefinite time period, and which has justifiably announced the success of its own cost control measures in recent years,<sup>36</sup> were to insist that Petitioners continue to maintain and operate the Line at a large avoidable loss for a small amount of traffic which Alcoa can not guarantee even at its greatly reduced level for any period of time and which it can move by truck. Petitioners should not be required to incur this cost mostly to provide Alcoa with a standby rail transportation option if and when Alcoa ever restarted its Badin operations and to save Alcoa a small amount of money on a currently small volume of shipments. Indeed, Alcoa itself is the owner of the Line and could arrange for alternate operations or privately and informally railbank the Line if it wished to do so.

Petitioners believe that in view of the facts concerning (1) the status of Alcoa's Badin facility, (2) the lack of activity or information concerning possible resumption of operations at the facility, (3) Alcoa's expansion or construction of several other facilities since the Badin facility's smelter operation was taken out of service in 2002, (4) Alcoa's unwillingness to contribute or inability to justify contributing to the rehabilitation of the Line and (5) Alcoa's inability to assure Petitioners of future traffic and revenue levels sufficient to justify rehabilitation of the Halls Ferry-Whitney Segment or Petitioners' maintenance or operation of the Line or the Whitney-Badin Segment generally, that Alcoa could not credibly argue that possible future traffic increases justify requiring Petitioners to incur substantial and continuing avoidable losses to rehabilitate and keep

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<sup>36</sup> See Exhibit 19, a January 22, 2004 Alcoa press release concerning Alcoa's cost reduction program and results. Updated figures and information on this program can be found on Alcoa's web site in the section describing Alcoa's Business System.

the entire Line or the Whitney-Badin Segment in service. Such predictions of increased future traffic for this Line could only be deemed speculative at best at this time. Mere speculation about future traffic is not a sound basis upon which to deny an application or petition for exemption for abandonment of or discontinuance of service over a rail line. See STB Docket No. AB-290 (Sub-No. 260X), *Tennessee Railway Company — Abandonment Exemption — in Scott County, TN*, served June 17, 2005; STB Docket No. AB-512X, *Sierra Pacific Industries — Abandonment Exemption — In Amador County, CA*, served February 25, 2005; 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.

Given the appropriateness of finding this lack of abuse of market power in this case, the Board need not determine whether the proposed transaction is limited in scope. However, based on numerous precedents, Petitioners believe that the discontinuance of service over an 11.11-mile line in one county and serving only one shipper with greatly reduced traffic for several years, with continuing large avoidable losses to the railroads from the operation and maintenance of the Line, with no indication that the traffic and resulting revenue levels will increase, with transportation alternatives available to the shipper, which also owns the subject Line, also should be

found to be limited in scope. The fact that substantial and unrecoverable rehabilitation costs are imminently required for the Line further supports this conclusion.

Since WSSB is not providing service over the Whitney-Badin Segment and since that Segment represents only a portion of the Line over which service will be discontinued, the burden of establishing the viability of the Whitney-Badin Segment would be on any party, including Alcoa, that might express an interest in keeping that Segment alone in operation. See *McCloud Railway Company – Abandonment and Discontinuance of Service Exemption - In Siskiyou, Shasta and Modoc Counties, CA* (STB Docket No. AB-914X) (STB served October 14, 2005); *Wisconsin Central Ltd. - Abandonment - In Ozaukee, Sheboygan and Manitowoc Counties, WI*, STB Docket No. AB-303 (Sub-No. 27), (STB served October 18, 2004); *Conrail-Aban.-Bet. Warsaw and Valp., Counties, IN*, 9 I.C.C.2d 1299, 1319 (1993).

The filing of applications or the Board's conduct of a more formal proceeding is not needed in this case. The filing of an application or the conduct of extended formal proceedings would serve merely to delay the discontinuance of service over the subject Line, while NSR suffered continuing avoidable losses, with little or no prospect of Alcoa or any other party providing any additional information that would refute Petitioners' support for the exemption or change the result that must be reached by the Board in granting the exemptions upon the clear evidence presented in this Petition. The large gap between the costs required for NSR to retain the entire Line in service, including the costs required to rehabilitate the Halls Ferry-Whitney Segment, and the large gap between the revenues and costs for WSSB to maintain and operate the Whitney-Badin

Segment alone, sufficiently demonstrate that the exemptions should be granted. The length of this petition is due to the extensive background of this matter and peripheral issues with respect to the current and future status of the Line, which also would not normally be considered in or otherwise require an application proceeding, not because the evidence on the merits is complicated, subject to reasonable dispute or significant change, or requires further exposition.

Petitioners expect that if Alcoa or any party opposes the discontinuance of service over the Line or the Whitney-Badin Segment, that party will not be able to support its assertions with any analysis of petitioner's costs or revenues that would materially change those costs or revenues or yield a different result than that requested in and justified by this Petition. Further expenditures by and avoidable losses to the Petitioners to keep the Line or the Whitney-Badin Segment in service cannot be recovered and, therefore, continued operation of the Line or the Segment by Petitioners cannot be justified.

Petitioners' cost and other evidence is beyond refutation in this proceeding and would be beyond refutation in an application proceeding. Petitioners have provided two verified statements and several exhibits that constitute a detailed presentation and estimate of the costs of rehabilitating, maintaining and operating the Line and the Whitney-Badin Segment separately. In addition, Petitioners have provided a considerable number of workpapers in support of their calculations. Petitioners have based their demonstration of operating losses on all of the operations performed for Alcoa, Inc., in the Base Year in accordance with the Board's regulations and on very

conservative assumptions for the hypothetical future WSSB maintenance and operation of the Whitney-Badin Segment. They have shown the declining traffic levels upon which future revenue estimates must be based and the imminently required track rehabilitation costs for the Halls Ferry-Whitney Segment that only would add to NSR's projected avoidable losses in the Forecast Year.

Petitioners have presented their costs and revenues, including the hypothetical WSSB costs and revenues, in the same manner and detail and with the same supporting documents that it would present those costs and revenues in an application proceeding. An application or formal proceeding would offer a potential opponent of the relief requested in the petitions for exemptions no further relevant information and no greater opportunity to dispute Petitioners' costs, revenues or other bases for discontinuing service over, and operating rights and common carrier obligations with respect to the subject Line or the Whitney-Badin Line Segment alone than that party will have had in this proceeding. See e.g. *Sierra Pacific Industries – Abandonment Exemption – In Amador County, CA* (STB Docket No. AB-512X) (STB served February 25, 2005); *CSX Transportation, Inc. – Abandonment – In Atkinson and Ware Counties, GA*, STB Docket No. AB-55 (Sub-No. 640) (STB served Dec. 24, 2003).

Except that Alcoa owns the subject Line, this proceeding is indistinguishable from *Norfolk Southern Railway Company – Abandonment Exemption – In Nottoway, Prince Edward, Cumberland, and Appomattox Counties, VA*, STB Docket No. AB-290 (Sub-No. 252X) (STB served January 18, 2005). In that decision, the Board granted NSR an exemption to abandon a 33.8-mile rail line. NSR transported 158 carloads of freight

over the line for two customers located in the middle of the Line. The shipper of 135 shipments of (steel) bars, iron, and 1 carload of sheet steel opposed the petition. The avoidable losses from maintenance operations of the Line were substantial in that case, but lower than the corresponding avoidable losses in this case. Under two of three scenarios for operation of the Line in that case (over either Segment or the entire Line in connection with active NSR lines beyond the end points), NSR would have incurred substantial rehabilitation costs. Under all three scenarios, NSR would have had opportunity costs, but they were lower than the rehabilitation costs for the Halls Ferry-Whitney Segment in this case. The shipper of very similar commodities to those shipped over the subject Line had truck and truck-rail transload transportation alternatives.

For the foregoing reasons, the Board should grant the Petitions for Exemption to discontinue service in these dockets.

#### **Service of Petition; Newspaper Notice**

Petitioners have given notice to Alcoa, Inc., the sole shipper on the Line by serving Alcoa, Inc., and its outside counsel with copies of the original combined petition for exemption, Petitioners' April 12, 2006 letter, and this corrected combined petition for exemption so that company may place its representative's or counsel's name on the Board's service list in the subject dockets, receive Board decisions or otherwise participate in this proceeding if it so chooses. As a practical matter, Alcoa and NSR have been discussing the status of this Line for several years. Alcoa has stated that it intends to participate in this proceeding. Nonetheless, should the Board so order,

Petitioners will serve a copy of the Board's decision on the merits on Alcoa and certify to the Board that NSR sent a copy of the decision to Alcoa, Inc. within five business days of the issuance of the decision.

Newspaper notice concerning the filing of the petition was published on March 14, 2006, in *The Stanly News & Press*, which is a newspaper of general circulation in Stanly County, NC (see Exhibit 8).<sup>37</sup>

Petitioners request that their Amended Petitions for Exemption in the subject dockets, originally submitted on March 30, 2006, be considered as filed on the date this combined Amended Petition is received by the Board with no requirement for additional filing fees. No party will be harmed by acceptance of the Amended Petition and the

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<sup>37</sup>While this amended Petition is being re-filed a few days more than thirty days after the newspaper notice, no one will be prejudiced by this brief additional interval between the newspaper notice and the filing of the amended Petition. The only shipper on the Line and the parties required to be served by the Board's regulation were sent copies of the initial petition and Petitioner's April 12, 2006 letter and are being sent this revised Petition. The contact information remains the same. The petition and letters were posted on the Board's web site. The dockets remain as open proceedings. The Federal Register notice and procedural schedule has yet to be served and any potential parties will receive the same amount of time to respond as if the petition were filed on March 30, 2006 or April 12, 2006. In fact, since the financial and other substantive information and all the verified statements, exhibits and appendices remain the same, potential parties will have more time to review the combined petitions.

Petitioners believe there is no reason to have included the inactive or former station of Isenhour, NC, which is at an unpopulated, unincorporated rural location with no potential railroad customers. Isenhour is not listed on NSR's current system map and accompanying and station list or in employee timetables. It is not separately listed as a North Carolina location by the U.S. Census Bureau and does not appear on a recent Rand McNally Road Atlas. Yadkin Brick Company, the only business formerly located at this station, ceased doing business and abandoned its plant in the mid to late 1990s. No party could be harmed by its omission in any event and it may be included in the Federal Register notice.

Board will have the same period to handle the proceeding as it would have had on the date of the initial submission because of the postponed Federal Register notice date. Alcoa, the only shipper on the Line and the Line's owner, submitted a letter to the Board on April 12, 2006 in support of the correction of the petition and new schedule, assuming its time to respond to the corrected petition is not reduced from the time that would normally apply, which is consistent with Petitioners' request. Inasmuch as the same docket numbers will be retained, and Petitioners have made no change in the facts and the substantive basis for the relief requested, any other interested party will have more notice and more time to respond to the substantive information and arguments in the Amended Petition. With Federal Register publication of notice instituting a proceeding with respect to the Amended Petitions following their filing date, NSR's service of its April 12, 2006 letter on all parties receiving the initial petition and service of this Amended Petition on those parties, no potential party will receive incorrect or reduced notice of these proceedings and the Board may have the full period for processing of and service a decision on the Amended Petition.

#### **Offers of Financial Assistance Are Not Appropriate With Respect to this Line**

Offers of Financial Assistance (OFA) to acquire Lines are not appropriate in discontinuance proceedings. Alcoa already owns the Line in any event. Petitioners believe that under the circumstances, no OFA could be filed with respect to this Line or either Segment of it even if this were an abandonment proceeding.

Since Alcoa owns the subject Line, including the real estate and the track, fixtures and materials, if Alcoa seriously thinks that it may need rail service over the Line

in the future at a level that can provide an operator with a reasonable return on providing the service, it can provide for it, just as it has done at other locations by selling its former short line carriers serving those facilities to RailAmerica. The Board has stated on several occasions that 49 U.S.C. 10904 provides a mechanism 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 may file an offer of financial assistance (OFA) to acquire a Line and install an alternate operation. See e.g. *McCloud Railway Company – Abandonment and Discontinuance of Service Exemption - In Siskiyou, Shasta and Modoc Counties, CA* (STB Docket No. AB-914X) (STB served October 14, 2005); *Sierra Pacific Industries – Abandonment Exemption – In Amador County, CA* (STB Docket No. AB-512X) (STB served February 25, 2005). Alcoa would not even need to use the offer of financial assistance (OFA) procedures at 49 U.S.C. 10904 and 49 CFR 1152.27 to acquire and retain the Line for future use if that were at issue in this case. This makes any argument that Petitioners should continue to sustain large avoidable losses to keep the Line or the Whitney-Badin Segment in operation for minimal traffic that can move by alternative transportation service or for speculative future traffic even less persuasive.

**Alcoa Owns the Line; Possible Effect of Alcoa Ownership of Line on Board Jurisdiction in this Case; Status of the Line and Alcoa and Board Jurisdiction Following the Discontinuances**

The Board has no jurisdiction over Alcoa, which is not a rail carrier,<sup>38</sup> much less a

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<sup>38</sup> As noted in footnote 11, Alcoa had rail carrier subsidiaries until recently, but Alcoa sold those to RailAmerica. No one could have thought Alcoa was in the rail

common carrier, has never provided common carrier rail service over the Line and has not held itself out to provide common carrier rail service over the Line or either of its Segments. The Line Segments were private lines of railroad when the leases were executed and Petitioners began to provide serve over the Segments and will be private lines when the property is surrendered to Alcoa.

*Other Shippers on the Line.* There are currently no railroad customers along the Line to which Alcoa could hold itself out to provide common carrier rail service. As discussed in more detail in the next subsection of this Petition, Alcoa was not providing any type of rail service, much less common carrier rail service, to shippers along the Line Segments when it leased those Segments to Petitioners in 1916.

Petitioners have found no record that shippers other than Alcoa ever have been located on the Whitney-Badin Segment of the Line. As Exhibit 23 shows, it is unlikely that other shippers could be located, or in the past could have been located, along that Segment. Most of the Segment is located on a causeway in Badin Lake or along the shore line. Alcoa owns thousands of acres of land in the area, including much or all of

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carrier business, however, since these carriers mainly, if not exclusively, served Alcoa facilities. Alcoa did not hold out to provide service (directly or through these subsidiaries as agents) or guarantee the service of these short lines. It is not likely that anyone in North Carolina would have thought Alcoa would provide rail service because it owned distant short line rail carriers serving other facilities. The divestment of these subsidiaries makes this even more obvious now. Furthermore, as *Missouri Friends Of The Wabash Trace Nature Trail, Inc. v. Northern Missouri Railroad Company, Et Al.* (Petition For Declaratory Order), STB Finance Docket No. 33705 (STB served November 10, 1999) and *Wisconsin Central Ltd. v. STB*, 112 F.3d 881 (7<sup>th</sup> Cir. 1997) show, just because a party is a rail carrier in general or with respect to other lines, does not mean it is a rail carrier with respect to a particular line that it may lease to a third party. There is no reasonable basis for imputing rail carrier status to Alcoa because it once had short line rail carrier subsidiaries.

the property along shore line that is not part of a National Forest or National Recreation Area. (Exhibit 24)

A small business, Yadkin Brick Company, was located on the Halls Ferry-Whitney Segment of the Line prior to the late 1990s and made less than ten (10) shipments by rail in three years in the mid-1990s. It is possible the company may have made or received rail shipments prior to that time period.

Regardless whether there may have been other railroad customers along either Segment of the Line in the past 90 years during the duration of the leases, there were none before the leases were executed and there are none now. In any event, since there are no current railroad customers along the Line, the Board does not need to consider whether the existence of current active railroad customers along the Line other than Alcoa would affect the conclusions and decisions in this matter.

*Operation of the Line Before the Date of the Leases to Petitioners; No Operation of the Line for Others by Alcoa or Holding Out to Provide Rail Service Before the Date of the Leases.* Alcoa is not a rail carrier and has never operated or provided common carrier rail service over the Line or held itself out to do so<sup>39</sup> under the names of

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<sup>39</sup>According to information on Alcoa's web site, Tallassee Power Company completed construction of the Line within about a month before it leased the Line to YRC as to the Halls Ferry-Whitney Segment and YRC and WSSB jointly as to the Whitney-Badin Segment and production at the Badin Works did not begin until nearly a year later. Thus, Alcoa, under its previous name(s), would have had little time or opportunity, and no reason, to operate over the Line before the leases became effective. Moreover, as noted earlier, Alcoa incorporated four former short line rail carrier subsidiaries in other locations when it felt that it was necessary or appropriate to do so.

Tallassee Power Company, Carolina Aluminum Company or Alcoa. This conclusion may have been inferred from the short interval between the date of completion of construction of the Line or the Whitney-Badin Segment and the effective date of the leases of the Line Segments, and from the fact that the Badin facility was not completed until after the date of execution of the leases. It also may be inferred from the fact that Alcoa set up certificated rail carrier subsidiaries in 1900, 1906 and 1923<sup>40</sup> to serve some of its facilities when it thought it necessary or appropriate to do so. Nonetheless, there is also contemporary evidence that shows Tallassee Power Company (Alcoa) did not operate the Line as a common carrier or as a railroad prior to the date of the leases. First, *Poor's Manual of Railroads* for 1916 and 1917 do not list Tallassee Power Company, Carolina Aluminum Company or Aluminum Company of America (Alcoa) as rail carriers.<sup>41</sup>

Moreover, and perhaps most instructively, a contemporary North Carolina court

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<sup>40</sup>These subsidiaries were The Massena Terminal Railroad Company, a 3-mile line that serves an Alcoa aluminum manufacturing facility in New York, Bauxite and Northern Railway Company, a 3-mile line that served a former Alcoa chemical plant in Arkansas, and Rockdale, Sandow and Southern Railroad Company, a 6-mile line that serves Alcoa's Rockdale, TX aluminum manufacturing plant, respectively. Alcoa's other rail carrier subsidiary was The Point Comfort and Northern Railway Company, a 13-mile line built in 1948-1949 to serve Alcoa's facility at Point Comfort, TX.

<sup>41</sup>We also note that in the decision in *Aluminum Co. v. Inspector General*, 87 I.C.C. 615 (1923), a complaint proceeding concerning rates on petroleum coke shipped from West Port Arthur, Texas to Maryville, TN and Badin, NC, the only reference to Tallassee Power Company that we could readily find in relatively contemporary ICC reports, Division 4 of the ICC stated: "Complainants are corporations manufacturing aluminum. Complainant Tallassee Power Company, operating a plant at Badin, N.C., is a subsidiary of complainant Aluminum Company of America, operating a plant at Marysville, Tenn."

case from 1917 shows that Tallassee Power Company (Alcoa) was using the Line during the week prior to the execution date of the leases to bring materials for the construction of the "aluminum works" from Whitney, NC to Badin, NC but did not operate the Line as a common carrier to provide service to anyone other than itself. Any holding out to provide common carrier operations over the Line Segments was undertaken by Petitioners after the leases became effective. In *W. C. Goodman v. Tallahassee (sic) Power Company*, 174 N.C. 661, 94 S.E. 408 (1917); 1917 N.C. LEXIS 167, the Supreme Court of North Carolina stated at 661-2:

The plaintiff, W. C. Goodman, was working for the defendant Tallahassee (sic) Power Company as an electrical helper at Badin, N.C. on or about 22 March, 1916, and had been so working for some time prior thereto. On that day, he, with two other electricians, went out to do some work. They went to their work on what is known as a "speeder," which was operated on the railroad track built by the defendant. Said track was used by the defendant for the purpose of hauling material and supplies of all kinds from the railroad at Whitney to Badin, where the defendant was erecting its factories and other plants for the manufacture of aluminum. Said track was not used as a public carrier for either freight or passengers at the time of the injury, but was so used in June thereafter.<sup>42</sup>

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<sup>42</sup>The issue in the case was whether the defendant was operating a railroad within the meaning of section 2646 of the Revisal, which abolishes the doctrine of fellow-servants as to railroads. Defendant argued that it was not operating a railroad so that it could take advantage of the defense. Thus, it tried to distinguish its private operation from a "public carrier" or "common carrier" operation. The court did not hold that Tallassee Power was operating a common carrier but held this distinction was irrelevant because it was operating a "railroad" within the meaning of the statute. The following quotation also suggests the court was discussing the distinction between railroad common carriers and private rail carriers in the *Goodman* case. It suggests that the words "public carrier" were used as equivalent to "common carrier":

"In *Schus v. Powers-Simpson Co.*, 69 L.R.A., 887; 85 Minn. 447, 89 N.W. 68, this point was raised under the Minnesota 'Fellow-servant Act,' which is very similar to that in this State, and the Court held that the words, 'every railroad corporation owning or operating a railroad in this State,' embraced a 'logging road'; that though it is not a common carrier of [\*664] freight and passengers, its

Of course, by June of 1916, when the decision states that "public" (common) carrier operations over the Line commenced, the leases had been executed and Petitioners YRC and WSSB were in control and operation of the Line Segments that were leased to them respectively.

Petitioners have found no evidence that Tallassee Power (Alcoa) ever held itself out to the public or to other railroad customers to provide rail service over the Line or to ensure that it was provided. To Petitioners' knowledge, Alcoa has no intention of holding itself out to provide such common carrier or any other type of rail service over the Line following Petitioners' discontinuance of service over the Line.<sup>43</sup> Under the circumstances, it appears Alcoa would have no one to hold out such service to or any other reason to make such a holding out. We must assume that after Petitioners discontinue service over the Line, Alcoa would perform or contract for any railroad operations over the Line or the Whitney-Badin Segment as a private carrier railroad which would be performing or providing for railroad operations solely as an arm of its, or an affiliate's, non-transportation business. See *Northern Plains Railroad Company -- Construction and Operation Exemption -- Musselshell and Yellowstone Counties, MT*, ICC Finance Docket No. 32077 (ICC served Dec. 28, 1992) (Northern Plains) (slip op.

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employees engaged in the operation of its trains are exposed to the same dangers and risks as are employees of railroads operating as common carriers, and come within the spirit and intent of the act, and that the wider signification of the word 'railroad,' meaning any road operated by steam or electricity, on rails, was intended by the Legislature." 174 N.C. at 663-664.

<sup>43</sup> Alcoa's divestment of its rail carrier subsidiaries last year further supports this conclusion.

at 2).

*Terms of the 1916 Leases.* The terms of the 1916 leases do not prove that a different conclusion with respect to Alcoa's holding out to provide rail service over the Line is warranted or that Alcoa became a rail carrier or common carrier subject to ICC, and later STB, jurisdiction by entering into the leases as written. Indeed, Alcoa obviously was careful to set up rail carrier subsidiaries in a few situations both before and after 1916 where a railroad operation serving its plant might also serve third parties in order to keep Alcoa itself from becoming a rail carrier.

While the language of the 1916 leases must be taken into account in determining the status of the Line and the undertakings of the parties, the leases must be interpreted in the context of the statute and regulations at the time they were drafted. The parties could not have had in mind regulation over the operation or abandonment of or discontinuance of service over the Line when they provided that Petitioners YRC and WSSB would operate the respective properties as "common carriers" because regulation of those subjects did not yet exist. More likely, Alcoa wanted to be sure that its traffic would move under regulated rates and that it could challenge such rates if necessary, as it did in the case of *Aluminum Co. v. Inspector General*, 87 I.C.C. 615 (1923) not many years thereafter. Other reasons to use this phrase would be to provide that shipments billed to Alcoa's vendors or customers also would move under regulated rates and would be governed by the law applicable to common carriers with respect to loss and damage claims. They may have had laws and regulations with respect to passenger service in mind as well since provision for that type of service is specifically

included in the leases. Since Alcoa did not own all of the property adjacent to at least the Halls Ferry-Whitney Segment, Alcoa may have wished to indicate that Petitioners could serve any customers that might locate along the Line in order to obtain more revenue from maintenance and operation of the Line. That might provide incentive to Petitioners to continue to operate the Line Segments and not to exercise their unrestricted right to terminate the Leases on thirty (30) days notice.

The leases contain no indication that Alcoa affirmatively wished to provide for service to third parties or to guarantee that it would provide such service if Petitioners terminated the leases. Petitioners submit that no such holding out or guarantee should be inferred, especially when Alcoa appears to have been cognizant of the possibility and set up short line rail carrier subsidiaries at a few other plant locations contemporaneously. No law or regulation existed that would require Alcoa to provide common carrier rail service over the Line simply because Petitioners provided it or because the property reverted to Alcoa after such service might have been held out or provided by Petitioners. In 1916, no party could have contemplated that Alcoa would be obligated to provide service over the Line or would need to seek regulatory authority to abandon the Line based on the lease of the Line or the railroads operations over the Line when the railroads themselves did not require such authority or exemption to abandon lines or to discontinue service over them.

Thus, both Segments of the Line were private lines of railroad when Petitioners leased and began to operate over them. Even if Alcoa owned two small railroad subsidiaries that served Alcoa facilities in two other States neither Tallassee Power nor

Alcoa were railroad common carriers subject to ICC jurisdiction when Tallassee Power (Alcoa) leased the Line Segments to Petitioners and neither company became one through the leases of the Line Segments. Thus, the legal status of the Line Segments as private line segments at the time of the leases was the same as that of any line not subject to agency jurisdiction, such as an abandoned line, under the same circumstances, and it would be today as well as then.

*Petitioners, Maintenance of or Operations Over the Line Cannot Increase Alcoa's Obligation With Respect to the Line or Convert Alcoa Into A Rail Carrier or Railroad Common Carrier.* In *Hanson Natural Resources Company -- Non-Common Carrier Status -- Petition For A Declaratory Order*, ICC Finance Docket No. 32248 (ICC served December 5, 1994), the ICC found that Hanson, a party with ownership interests in a rail line, would not become a common carrier railroad upon the commencement of common carrier operations by a railroad over the line unless Hanson itself conducted common carrier railroad operations. Hanson did not intend to conduct any such operations and, additionally, had stated it would not interfere with or impair common carrier functions or operations provided by others. The Commission further stated:

A railroad is a common carrier railroad if it purports to hold itself out as a common carrier for hire and if there is an ostensible and actual movement of traffic for the public for hire. The principal test is whether there is a bona fide holding out coupled with the ability to carry for hire. See *Northern Plains Railroad Company -- Construction and Operation Exemption -- Musselshell and Yellowstone Counties, MT*, Finance Docket No. 32077 (ICC served Dec. 28, 1992) (*Northern Plains*) (slip op. at 2). See also *Ass'n of P&C Dock Longshoremen v. The Pittsburgh & Conneaut Dock Co.*, 8 I.C.C.2d 280, 290-295 (1992) (holding, in essence, that an entity is a rail common carrier only if it is both a rail carrier and a common carrier).

Later in the *Hanson* decision, the ICC stated that even operation by a private

carrier over a line in which common carrier operations had been performed would not transform the private carriage over the line into common carriage:

Even if that line were now to be regarded as the section 10901(a) "railroad line" of a common carrier railroad (even, that is to say, if we were to conclude that Santa Fe has conducted or is now conducting common carrier railroad operations over that line), the rail operations conducted by Western Fuels over the line would continue to be regarded as private rail carrier operations not subject to our jurisdiction.<sup>44</sup>

Similarly, with respect to the subject Line, Alcoa, is not a rail carrier, never held itself out as a rail common carrier for hire over this line (or in other locations other than in the name of four small rail carrier subsidiaries) and never moved rail traffic for the public for hire over the subject Line Segments. Alcoa may have licensed Petitioners to provide such service over the Line Segments through their leases of those Segments to Petitioners, but Petitioners would be holding out to provide the rail service and to conduct operations for third parties under Petitioners' own authority, and not as the agent or contractor of Alcoa.

The 1916 leases required Petitioners to perform ordinary maintenance of the Line Segments and they have done so. The discussion in Footnote 27 addresses this point. This should have no bearing on the status of the Line Segments upon their return to Alcoa.

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<sup>44</sup> See also *B. Willis, C.P.A., Inc. -- Petition For Declaratory Order*, STB Finance Docket No. 34013 (STB served October 10, 2001) where the Board stated that "if a shipper does not hold out to provide common carrier railroad service over a line it constructs and maintains to serve its own facility, and no other shippers are served by the line, then neither that construction, nor a railroad's operation over that track to reach the shipper's facility, requires ICC or Board authorization or approval." As noted above, there is no reason why this principle would not apply to discontinuances of service over private lines if the conditions were met. See the additional discussion in footnote 27.

*Ownership of the Line.* Alcoa can not become a rail carrier or have a residual common carrier obligation to operate over the Line or to file for approval or exemption for its abandonment simply because it owns the Line. A crucial difference between this case and other cases in which a non-carrier purchaser may have acquired a residual common carrier obligation to serve or to abandon a rail line is that Alcoa did not acquire this Line as an active line of railroad already in common carrier service, nor, as in the case of two other former short line subsidiaries, did Alcoa incorporate a rail carrier subsidiary at the time Alcoa constructed the Segments of this Line. The entire Line was a private line when it was constructed and when it was leased. Clearly, Alcoa contemplated that Petitioners would conduct the railroad operations over the Line Segments following the execution of the leases. We have no record that Alcoa ever hindered Petitioners from doing so.<sup>45</sup> Under such circumstances, in this case, Alcoa must be considered as an owner of a private line without a residual common carrier

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<sup>45</sup>Under the leases, Petitioners have unconditional access to the Line Segments, although Alcoa has the right to terminate the leases on one year's notice. Petitioners have the right and duty to perform ordinary maintenance of the Line Segments and Alcoa has the right and duty to perform extraordinary maintenance and rehabilitation of the Line Segments. Petitioners operations have been conducted over the Line Segments for ninety (90) years and have not been subject to substantial restrictions, nor did Alcoa have any right under the leases that could interfere materially with the operations conducted by Petitioners. Petitioners have been able to fulfill their obligations under the leases without substantial interference from Alcoa. Thus, on balance, and considering the legal background in 1916, the leases undoubtedly intended to shift any common carrier obligation to provide service over the Line to Petitioners without Alcoa retaining such an obligation, residual or otherwise. Since agency review of the lease and operation of the Line did not exist in 1916, that step could not be required with respect to this Line but the long history of the lease and operation of the Line shows that the status of the Line and any common carrier obligation logically would be as Petitioners suggest they were and will be.

obligation to provide freight service over the Line just as the owners of common carrier lines from which the freight operating obligation and rights have been split would have no such residual common carrier obligation today. In that respect this case is similar to *Wisconsin Central Ltd. v. STB*, 112 F.3d 881 (7<sup>th</sup> Cir. 1997), in which the Court of Appeals stated that the lease of an abandoned line (e.g. a line not within the jurisdiction of the agency, just as a private line would be within such jurisdiction) takes on no obligation beyond the lease and remains outside the agency's jurisdiction. As the decision notes, Judge Friendly stated in *City of New York v. United States*, 337 F.Supp. 150, 153 (E.D.N.Y. 1972), the lessor of a rail line owes no independent obligation to provide service that would revive when its lessee discontinues operations "unless the lessor was a 'carrier by railroad' when the lease was made." See also *Meyers v. Famous Realty, Inc.*, 271 F.2d 811 (2d Cir. 1959), cert denied 362 U.S. 910 (1960). Alcoa clearly was not a rail carrier when the lease was made. See also *City of Venice – Abandonment Exemption – In Venice, IL and St. Louis, MO*, STB Docket No. AB-863X (STB served June 22, 2004).

*Conclusions.* The ICC or the Board had no jurisdiction over the Line or its operation or Alcoa when the Line was leased, acquired no jurisdiction over Alcoa and possibly over at least the Whitney-Badin Segment because of the lease or during the lease period and will have no jurisdiction over the Line or Alcoa when the Line is surrendered to Alcoa because the Line then will revert to its pre-lease status as a private railroad line or perhaps ordinary real estate owned by a non-common carrier. Alcoa can not be considered a rail carrier subject to the Board's jurisdiction.

### **Trail Use, Public Use**

Petitioners will not consent to a trail use negotiation condition with respect to the Line.

Because Alcoa owns the Line, and it will return to Alcoa as a private railroad line or perhaps as ordinary real estate, a public use condition should not be available or imposed by the Board in this proceeding.

### **Environmental and Energy Impact; Historical Report**

Because this Petition requests only exemptions for discontinuances of rail service, environmental and historic reports are not required.

Nonetheless, Petitioners attach an Environmental Report and a Historic Report with respect to the proposed discontinuances of service. These reports were prepared and previously distributed to the appropriate Federal, State and Local agencies in accordance with the Board's regulations when Petitioners thought that requests for abandonment of operating rights under the leases would be the proper type of action with respect to YRC and WSSB because no party has a residual common carrier obligation with respect to the Line. See 49 CFR 1105.11. Petitioners also included these reports with their initial filing.

Petitioners plan to undertake no salvage operations as a result of the discontinuances of service because Alcoa owns the right-of-way and fixtures, track and material and will decide what to do with them. Since Alcoa is not a rail carrier subject to regulation by the Board and the Line Segments will return to Alcoa as private lines of

railroad or ordinary real property, Alcoa is not required to request approval or exemption from the Board to abandon the Line or to take any other action with respect to the Line Segments.

While there will be no opportunity for environmental review of the abandonment of the Line because the Board will not have jurisdiction over it upon grant of the petitions for exemption, this lack of review results from the fact that the property will revert to Alcoa as ordinary real estate or at most a private line of railroad. Petitioners are not responsible for the situation that will result in the lack of review, nor should they be penalized in any way or required to take any sort of extraordinary or unusual steps because of it.

Nonetheless, any actions that Alcoa would take with respect to salvage or other uses of the Line would be required to conform to applicable law and regulations. Alcoa would need to request any review or permits required by any environmental or other agency with jurisdiction over the property or Alcoa's actions. As a Federal Energy Regulatory Commission (FERC) licensee with respect to its dams and hydroelectric power facilities in and around Badin Lake, Alcoa would need to comply with that agency's regulations with respect to most, if not all, of the Whitney-Badin property.

No environmental review by the Board is possible in certain other circumstances involving Board proceedings, or lack of Board jurisdiction or authority, so the lack of environmental or historic review of an action with respect to a railroad facility is not unique to this case in which a private rail line will be returned to its non-carrier owner. Where no license or approval or exemption is required, there is no environmental review

by the Board. For example, there is no statutory requirement for a railroad to obtain Board approval to build or expand facilities that assist the railroad in providing its existing operations but do not give the carrier the ability to penetrate new markets. See *Nicholson v. ICC*, 711 F.2d 364, 368-70 (1983), cert. denied, 464 U.S. 1056 (1984) (*Nicholson*). Nor do railroads require authority from us to upgrade an existing line. Finally, 49 U.S.C. 10906 explicitly provides that no regulatory permission is required for "construction, acquisition, operation, abandonment, or discontinuance of spur, industrial, team, switching, or side tracks", even though the Board has jurisdiction over these activities. See also *Joint Petition for Declaratory Order - Boston and Maine Corporation and Town of Ayer, MA*, STB Finance Docket No. 33971 (STB served May 1, 2001). No regulatory approval or exemption is required for the abandonment of private rail lines. The lack of STB environmental review of Alcoa's disposition of the Line results from the Board's lack of authority over private rail lines, which for these purposes are indistinguishable from the types of lines included in 49 U.S.C. 10906.

### **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, Petitioners are willing, as a condition to the Board granting the requested exemptions, 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 the exercise of the exemptions for the discontinuances of service over and operating rights and common carrier obligations with respect to the Line.

## Conclusion

Therefore, Norfolk Southern Railway Company ("NSR"), Yadkin Railroad Company ("YRC") and the Winston-Salem Southbound Railway Company ("WSSB"), respectfully petition the Board, pursuant to the provisions of 49 U.S.C. 10502, as amended, and the Board's regulations at 49 CFR 1152 Subpart F - *Exempt Abandonments and Discontinuances of Service*, for exemption from the prior approval requirements of 49 U.S.C. 10903 for NSR to discontinue rail service over a line of railroad between milepost WF-0.00 at Halls Ferry Junction, NC and milepost WF-11.11 at Badin, NC; for YRC to discontinue service and operating rights under a lease over the same line of railroad between milepost WF-0.00 at Halls Ferry Junction, NC and milepost WF-11.11 at Badin, NC; and for WSSB to discontinue service and operating rights under a lease over the segment of the subject Line between milepost WF-5.90 at Whitney, NC and milepost WF-11.11 at Badin, NC, all in Stanly County, North Carolina.

Respectfully submitted  
NORFOLK SOUTHERN RAILWAY COMPANY  
YADKIN RAILROAD COMPANY  
WINSTON-SALEM SOUTHBOUND RAILWAY COMPANY

BY   
David A. Brown  
Vice President - Strategic Planning  
Norfolk Southern Railway Company

Dated: April 24, 2006

Of Counsel: James R. Paschall  
Senior General Attorney  
Norfolk Southern Railway Company  
Three Commercial Place  
Norfolk, VA 23510  
(757) 629-2759

VERIFICATION

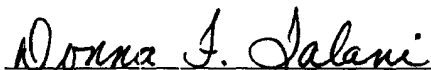
Commonwealth of Virginia    )  
                                          ) ss  
City of Norfolk                 )

David A. Brown makes oath and says that he is Vice President-Strategic Planning of Norfolk Southern Railway Company; that he has been authorized by the Petitioners Norfolk Southern Railway Company, Yadkin Railroad Company and Winston-Salem Southbound Railway Company to verify and file with the Surface Transportation Board the foregoing combined petition in STB Docket Nos. AB-290 (Sub-No. 254X), AB-290 (Sub-No. 274X) and AB-149 (Sub-No. 2X); that he has carefully examined all of the statements in the petition as well as the exhibits attached thereto and made a part thereof; 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 business records of the company or persons with a business duty to keep those records accurately; 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

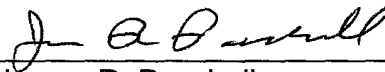
Subscribed and sworn to before me, a notary public  
in and for the State and City above named, this  
24th day of April 2006.



Notary Public  
My commission expires: My Commission Expires April 30, 2007

## CERTIFICATE OF SERVICE

I certify that the foregoing corrected, combined petitions in STB Docket Nos. AB-290 (Sub-No. 254X), AB-290 (Sub-No. 274X) and AB-149 (Sub-No. 2X) has been served on Ms. Sue Koessler, Alcoa, Inc., 1100 Riverview Tower, 900 S. Gay Street, Knoxville, TN 37902; Mr. Michael F. McBride, LeBoeuf, Lamb, Greene & MacRae LLP, 1875 Connecticut Avenue, N.W., Washington, DC 20009 (via DHL Express); Mr. Patrick B. Simmons, Director - Rail Division, North Carolina Department of Transportation, 1533 Mail Service Center, Raleigh, NC 27699-1533; Ms. JoAnne Sanford, Chair, North Carolina Utilities Commission, P. O. Box 29510, Raleigh, NC 27626; the 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; 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 April 24, 2006, by first class mail, postage prepaid, unless otherwise indicated.

  
James R. Paschall

Dated: April 24, 2006

Federal Register: \_\_\_\_\_, 2006 (Volume 70, Number \_\_\_\_)]

[Notices]

[Page \_\_\_\_]

## DEPARTMENT OF TRANSPORTATION

### Surface Transportation Board

[STB Docket No. AB-290 (Sub-No. 254X)

STB Docket No. AB-290 (Sub-No. 274X)

STB Docket No. AB-149 (Sub-No. 2)]

Norfolk Southern Railway Company - Petition for Exemption - Discontinuance of Service  
- in Stanly County, North Carolina

Yadkin Railroad Company - Petition for Exemption - Discontinuance of Service and  
Operating Rights Under Lease - in Stanly County, North Carolina

Winston-Salem Southbound Railway Company - Petition for Exemption -  
Discontinuance of Service and Operating Rights Under Lease - in Stanly County, North  
Carolina

On April 25, 2006, Norfolk Southern Railway Company ("NSR"), Yadkin Railroad Company ("YRC"), a wholly-owned subsidiary of NSR, and the Winston-Salem Southbound Railway Company ("WSSB"), in which NSR and CSX Transportation Inc. ("CSXT") each have a fifty (50) per cent ownership interest, filed a corrected, combined petition with the Surface Transportation Board (the "Board" or "STB"), pursuant to the provisions of 49 U.S.C. 10502, as amended, for exemption from the prior approval requirements of 49 U.S.C. 10903 for NSR's discontinuance of rail service over a line of railroad between milepost WF-0.00 at Halls Ferry Junction, NC and milepost WF-11.11 at Badin, NC, in Stanly County, NC; for YRC to discontinue rail service and operating rights under a lease over the same line of railroad between milepost WF-0.00 at Halls Ferry Junction, NC and milepost WF-11.11 at Badin, NC; and for WSSB to discontinue service and operating rights under a lease over the segment of the subject line of

railroad between milepost WF-5.90 at Whitney, NC and milepost WF-11.11 at Badin, NC, all in Stanly County, North Carolina. The entire line between Halls Ferry Junction and Badin is leased from the only shipper on the line, Alcoa, Inc., by YRC and is operated by NSR. The line segment between Whitney and Badin is concurrently leased from Alcoa, Inc., by WSSB. Although WSSB and YRC both have operating rights over the Whitney-Badin segment, operations have been conducted in recent years only by NSR. Petitioners assert that the effect of the Board's grant of the exemptions and the discontinuance of service and operating rights over the entire Line by YRC and over the Whitney-Badin segment by WSSB would be to discontinue and extinguish all common carrier obligations to provide rail service over the Line. The Line traverses United States Postal Service Zip code 28001 and serves the station of Badin, NC and the former or inactive station of Isenhour, NC. NSR will continue to provide rail service to the station of Halls Ferry Junction, NC on its "N Line." WSSB will continue to provide rail service to the station of Whitney, NC on its main line.

The Line does not contain federally granted rights-of-way. Any documentation in NSR, YRC and WSSB's possession will be made available promptly to those requesting it, but as previously stated, the right-of-way is owned by Alcoa, Inc. so any such documentation is unlikely to exist.

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 \_\_\_\_\_, 2006.

Any offer of financial assistance (OFA) under 49 C.F.R. 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 C.F.R. 1002.2(f) (25).

Petitioners assert that the line will revert to its owner, Alcoa, Inc., following the discontinuances as ordinary real estate or a private line of railroad not subject to Board jurisdiction or OFAs. If the Board agrees with this assertion, no OFAs to acquire the Line will be permitted.

Any request for a public use condition under 49 C.F.R. 1152.28 or for trail use/rail banking under 49 C.F.R. 1152.29 will be due no later than \_\_\_\_\_, 2006. Each trail use request must be accompanied by a \$200.00 filing fee. See 49 C.F.R. 1002.2(f)(27). However, interested persons should be aware that Alcoa, Inc. owns the right-of-way and therefore, Petitioners state they will not negotiate with any party for an agreement for interim trail use of the right-of-way.

All filings in response to this notice must refer to STB Docket Nos. AB-290 (Sub-No. 254X), AB-290 (Sub-No. 274X) and AB-149 (Sub-No. 2X) 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 NSR, YRC and WSSB petition are due on or before \_\_\_\_\_, 2006.

Persons seeking further information concerning abandonment and discontinuance of service 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 C.F.R. 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 or discontinuance of service 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](http://www.stb.dot.gov)

Decided: \_\_\_\_\_, 2006.

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

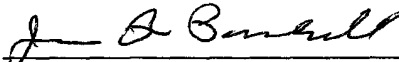
Vernon A. Williams,

Secretary.

[FR Doc. \_\_\_\_\_ Filed \_\_\_\_\_]  
BILLING CODE \_\_\_\_\_

CERTIFICATION  
SERVICE OF ENVIRONMENTAL AND HISTORIC REPORTS  
NOTICE OF INTENT (TEN-DAY NOTICE),  
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 combined Petitions for Exemption in STB Docket No. AB-290 (Sub-No. 254X), *Norfolk Southern Railway Company - Petition for Exemption - Discontinuance of Service - In Stanly County, NC*; STB Docket No. AB-290 (Sub-No. 274X), *Yadkin Railroad Company - Petition for Exemption - Abandonment of Operating Rights Under Lease - in Stanly County, NC* and STB Docket No. AB-149 (Sub-No. 2), *Winston-Salem Southbound Railway Company - Petition for Exemption - Abandonment of Operating Rights Under Lease - in Stanly County, NC* were submitted to the agencies identified in 49 C.F.R. §1105.7(b) and to the North Carolina 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 March 14, 2006, in *The Stanly News & Press*, which is a newspaper of general circulation in Stanly County, NC, the county in which the Line is located (see Exhibit 8).

  
\_\_\_\_\_  
James R. Paschall

Dated: April 24, 2006

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 MBA 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 discontinuance of service by Norfolk Southern Railway Company (NSR) and the abandonment of operating rights under lease by Yadkin Railroad Company between MP WF 0.0 at Halls Ferry, NC and MP WF 11.11 at Badin, NC and the abandonment of operating rights under lease by Winston-Salem Southbound Railway Company between MP WF 5.90 at Whitney and MP WF 11.11 at Badin, NC and I am sponsoring those figures.

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 April 8, 2005. I was accompanied in the inspection party by William Lindsey, NSR Assistant Track Supervisor. Mr. Lindsey is responsible for the routine maintenance of this segment plus others on the Piedmont 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 bridge on the line. Appendix 1 lists the bridge at MP WF 2.10, and Appendix 2 contains the bridge inspection reports for that bridge.

I will discuss below two separate estimates of engineering costs: First, the cost of the immediate rehabilitation of the Halls Ferry – Whitney segment of the line which, in our opinion, would be required for continued operation; and second, the average annual cost of normalized maintenance required for the entire line. Each 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).

The segment of the line between Halls Ferry and Whitney was laid with 85# jointed standard (non head-hardened) rail in 1965 and was last timbered and surfaced<sup>1</sup> in 1989. The traffic levels on this segment have been less than 500,000 gross tons per year for an extended period of time which has not justified keeping the track at anything above excepted levels. The rail wear in numerous locations exceeds NS' limit of 12/16 inches and will need to be replaced. Due to the lack of availability of 85# rail, the replacement requires upgrading to 100# or more which would require compromise joints between the different rail weight sections. In addition, many of the existing joint bars are old and are worn to the point of requiring significant replacement across the segment. The track has now reached a level of tie deterioration that requires a significant quantity of replacement crossties. This deterioration has been caused by tie rot and curvature on many portions of the segment. In addition, several factors are affecting the track geometry (cross level and alignment). In numerous places, cuts were made through hills which has led to poor drainage. Secondly, the soil stability in numerous areas on this segment requires constant smoothing to counteract the soil slippage.

The segment between Whitney and Badin was laid with 100# jointed standard rail in 1970 (except for the last mile which was laid in 1951) and was last timbered and surfaced in 1982. The rail in this segment has maintained its profile and as such does not require replacement. The tie condition likewise has not deteriorated as in the Halls Ferry to Whitney segment. A periodic problem arises with the bank stabilization along the lake from milepost 6.80 to milepost 9.00. Rip rap is placed on the lake bank to

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

retain erosion of the bank into the lake. Currently, the bank at milepost WF 7.00 will need attention in the near future. Other bank locations have recently been stabilized.

### Rehabilitation

Rehabilitation of the Halls Ferry – Whitney segment of the line consists of the following elements and is estimated to cost \$516,602. A detailed itemization is provided in Appendix 3.

- Timber and surface 5.9 miles of main track, using 800 new Grade 5 crossties and 800 tons of ballast per mile. This is 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 16 years since the last T&S work plus the curvature on this segment requires this level of rehabilitation to bring it to the standards 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 50 39 foot sections (equivalent to 0.37 track miles) of relay 100# jointed rail to replace rail that is worn. 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 segment exceeds 12/16" wear and also requires replacement due to engine burns and corrugation. Rail grinding is not feasible on this line due to the existing rail wear and the cost of grinding.

- Stabilize the banks between MP WF 2.3 and MP WF 2.5 where the subsoil is not stable.
- Perform brush control, tree removal, ditching and culvert clean out. At present, the brush and vegetation will require cutting along with herbicide application. 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.

### **Normalized Maintenance**

The Normalized Maintenance Projection for the line is contained in Attachments 4a and 4b to the Petition. Separate summaries are provided for the Halls Ferry – Whitney and Whitney – Badin segments.

Maintenance tasks itemized in the Projection are divided into two categories: Routine work and Program work. Program work typically involves more significant 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 and sinkhole repair, periodic testing of the rail to detect internal defects, and vegetation control to prevent fouling of ballast. Various routine bridge and culvert repairs are also required, as are periodic testing and maintenance of the signals at the public crossings at MP WF 0.0, MP WF 3.48 and MP WF 10.36 as required by FRA regulations. Brush cutting will be scheduled on a three year cycle, while ditching will be required annually.

### **Program Work**

Following rehabilitation of the Halls Ferry – Whitney segment of the line, the cycle for timbering and surfacing this line is 7 years, and thus timbering and surfacing is projected for year 8. Because of soil stability problems, intermediate surfacing is also projected for year 3. The intermediate surfacing cycle is required to maintain the proper track geometry quality without any crosstie replacement.

The Whitney – Badin segment will require timbering and surfacing in year 2 and again in year 10, with an intermediate surfacing in year 6.

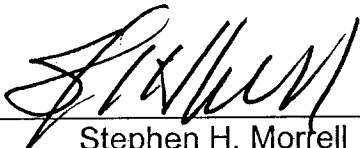
Certain bridges and culverts on the line will require renewal during the projection period; these costs are summarized in Appendix 3. The culvert at MP WF 10.10 will require

replacement in 2007. The timber trestle at MP WF 2.10 is projected to require a new deck in 2012 and replacement of the spans in 2014.

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 March 22, 2006



Stephen H. Morrell

Norfolk Southern Railway Company  
Halls Ferry – Badin, NC  
WF 0 – WF 11.11

List of Bridges

| Milepost | Spans | Bridge Type    | Deck Construction | Length in Feet | Year Constructed | Name of Crossing |
|----------|-------|----------------|-------------------|----------------|------------------|------------------|
| WF 2.10  | 1     | Timber Trestle | Open              | 6              |                  |                  |

**Norfolk Southern Railway Company  
Halls Ferry – Badin, NC**

Appendix 2

## **Bridge Inspection Report**

# NORFOLK SOUTHERN CORPORATION BRIDGES AND STRUCTURES DEPARTMENT BRIDGE INSPECTION REPORT

FORM 11944 (4/95)  
(Item 337664)

|                                 |                                  |                           |                  |
|---------------------------------|----------------------------------|---------------------------|------------------|
| Inspector: <u>P. H. Seearns</u> | Inspector: _____                 | Inspector: _____          | Inspector: _____ |
| Date: <u>10-12-04</u>           | Date: _____                      | Date: _____               | Date: _____      |
| Division: <u>Piedmont</u>       |                                  | District: <u>Danville</u> |                  |
| Age No: <u>WF 2.1</u>           | Location: <u>Halls Ferry Jct</u> | Length: <u>11</u>         |                  |
| End of Bridge: <u>ITS. OD</u>   |                                  | No. of Spans: <u>1</u>    | Height: <u>7</u> |

| ITEMS                                              |  | S | U | COMMENTS          |
|----------------------------------------------------|--|---|---|-------------------|
| Abutments/Piers/Eents/Towers                       |  | X |   |                   |
| Backwalls                                          |  |   | X | needs replacing   |
| Wingwalls                                          |  | X |   |                   |
| Embankment & Riprap Protection                     |  |   |   |                   |
| Bridge Seats & Bearing Areas                       |  |   |   |                   |
| Pedastals/Grillages/Blocking                       |  |   |   |                   |
| Bearings/Bearing Stiffners/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                        |  |   | X | needs 12 Ties     |
| Bridge Tie Anchors                                 |  | X |   |                   |
| Walkway & Handrailing                              |  |   |   |                   |
| Inner Guard Rail                                   |  |   |   |                   |
| Ballast Trough & Ballast Section/Depth of Ballast  |  |   |   |                   |
| Stringers & Stringer Connections/Bracing           |  |   |   |                   |
| Floorbeam & Floorbeam Connections                  |  |   |   |                   |
| Bulkheads                                          |  |   |   |                   |
| Stringers                                          |  |   |   |                   |
| Caps                                               |  | X |   |                   |
| Piles & Posts                                      |  |   |   |                   |
| Sills                                              |  |   |   |                   |
| Blocking                                           |  |   |   |                   |
| Bracing                                            |  |   |   |                   |
| Paint/Date Painted                                 |  |   |   |                   |
| Vegetation Control                                 |  | X |   |                   |
| Bridge Opening/Drift Condition                     |  | X |   |                   |
| Waterway Channel(s) & Flowline                     |  | X |   |                   |
| Cleanliness                                        |  | X |   |                   |
| Encumbrances (Ex. Utilities)                       |  |   |   |                   |
| Bridge Signs & Markers                             |  |   | X | 2 markers missing |
| 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

95

- 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 Railway Company  
Halls Ferry – Badin, NC**

**Rehabilitation Estimate**

## REHABILITATION ESTIMATE

### Piedmont Division - WF Line (0.00 - 5.90)

|                    |                |
|--------------------|----------------|
| T&S                | \$457,605      |
| RAIL               | \$25,423       |
| BRUSH CLEARING     | \$20,000       |
| DITCHING           | \$8,461        |
| BANK STABILIZATION | <u>\$5,114</u> |
| TOTAL              | \$516,602      |

# T&S OPERATIONS - REHABILITATION ESTIMATE

Piedmont Division - WF Line (0.00 - 5.90)

|       |             |
|-------|-------------|
| MILES | 5.90        |
|       | 0.00        |
|       | 0.00        |
|       | <u>5.90</u> |

## T & S G A N G (37-MAN)

|                                  |      |            |
|----------------------------------|------|------------|
| Production rate: (miles per day) | 1.20 |            |
| Number of days                   | 5    | 5.90 miles |

|                                |                   |            |                 |
|--------------------------------|-------------------|------------|-----------------|
| DIRECT COSTS:                  |                   | TOTAL COST |                 |
| Wages - BMW                    |                   |            | \$37,648        |
| Expense reimbursements         |                   |            | \$9,583         |
| Crossties, new 7"              | 800 per mile      | \$33.08    | \$156,138       |
| Ballast                        | 800 tons per mile | \$7.28     | \$34,345        |
| Switch ties (incl in turnouts) | 0 per mile        | \$49.45    | \$0             |
| Track spikes                   | 16 kegs per mile  | \$71.54    | \$6,753         |
| Meals                          |                   |            | \$4,720         |
| Other material & expenses      |                   |            | <u>\$18,824</u> |
| Sub-Total                      |                   |            | \$268,011       |
| LABOR ADDITIVES / FRINGES      |                   | 53.10%     | \$19,991        |
| COMPANY MATERIAL HANDLING      |                   | 0.50%      | <u>\$986</u>    |
| Sub-Total                      |                   |            | \$20,977        |
| TOTAL                          |                   |            | \$288,988       |

## DIVISION SUPPORT

|                                     |           |        |                |
|-------------------------------------|-----------|--------|----------------|
| BMW                                 |           |        |                |
| Unload ballast                      |           |        | \$1,510        |
| T&S support, including switch-ties  | 5.9 miles |        | \$11,210       |
| Fringes                             |           | 53.10% | \$6,754        |
| Small tools, miscellaneous expenses |           |        | \$1,272        |
| Expense reimbursements              |           |        | <u>\$1,908</u> |
|                                     |           |        | \$22,654       |
| BMW - GAGING                        |           |        |                |
| Wages - BMW                         |           |        | \$64,662       |
| Fringes and Suppl sickness          |           | 53.10% | \$34,336       |
| Expense reimbursements              |           |        | <u>\$9,699</u> |
|                                     |           |        | \$108,697      |
| TOTAL                               |           |        | \$131,351      |

## C & S SUPPORT

|                                           |                    |       |
|-------------------------------------------|--------------------|-------|
| Routine C&S work with production T&S gang | \$279 PER CROSSING | \$558 |
| 2 mechanized crossings                    |                    |       |

# T&S OPERATIONS - REHABILITATION ESTIMATE

Piedmont Division - WF Line (0.00 - 5.90)

|       |             |
|-------|-------------|
| MILES | 5.90        |
|       | 0.00        |
|       | 0.00        |
|       | <u>5.90</u> |

## GRADE CROSSINGS

|         |   |                 |    |           |
|---------|---|-----------------|----|-----------|
| 30 FEET | 3 | PRIVATE XINGS @ | 10 | FT / XING |
| 80 FEET | 5 | PUBLIC XINGS @  | 16 | FT / XING |

### MATERIAL

|                        |         |                 |
|------------------------|---------|-----------------|
| 160 Feet Epflex Rubber | \$42.34 | \$6,774         |
| 53 Tons Asphalt        | \$34.00 | \$1,795         |
| 15 Xing Timbers        | \$48.00 | \$720           |
| 75 Drive Spikes        | \$0.80  | \$60            |
| 20 Tons Asphalt        | \$38.00 | \$760           |
|                        |         | <u>\$10,109</u> |

### CONTRACTOR

|         |                        |         |                 |
|---------|------------------------|---------|-----------------|
| Public  | 160 Rubber Feet Worked | \$51.73 | \$8,277         |
|         | 51 Crossties In/Out    | \$12.17 | \$615           |
|         | 53 Haul Asphalt In/Out | \$11.16 | \$589           |
|         | 16 Feet Cribbing       | \$10.14 | \$162           |
| Private | 30 Feet Worked         | \$46.00 | \$1,380         |
|         | 19 Crossties In/Out    | \$12.17 | \$231           |
|         | 20 Haul Asphalt In/Out | \$11.16 | \$446           |
|         | 6 Feet Cribbing        | \$10.14 | \$61            |
|         |                        |         | <u>\$11,761</u> |

|                  |        |         |         |       |
|------------------|--------|---------|---------|-------|
| ASPHALT DISPOSAL | 33.00% | 24 TONS | \$27.00 | \$648 |
|------------------|--------|---------|---------|-------|

|          |  |       |
|----------|--|-------|
| FLAGGING |  | \$103 |
|----------|--|-------|

|           |  |                |
|-----------|--|----------------|
| ADDITIVES |  | <u>\$1,327</u> |
|-----------|--|----------------|

|       |  |          |
|-------|--|----------|
| TOTAL |  | \$23,948 |
|-------|--|----------|

## WORK TRAINS & ROLLING EQUIPMENT RENTAL

### 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 | \$5,760         |
|                                      |   |           | <u>\$12,760</u> |
| TOTAL                                |   |           | \$12,760        |

# T&S OPERATIONS - REHABILITATION ESTIMATE

|                                           |       |             |
|-------------------------------------------|-------|-------------|
| Piedmont Division - WF Line (0.00 - 5.90) | MILES | 5.90        |
|                                           |       | 0.00        |
|                                           |       | 0.00        |
|                                           |       | <u>5.90</u> |

## SUMMARY

|     |                                             |              |            |
|-----|---------------------------------------------|--------------|------------|
|     |                                             | <u>Miles</u> |            |
| (1) | TIMBER & SURFACE                            | 5.90         | \$288,988  |
| (2) | DIVISION SUPPORT                            |              | \$131,351  |
| (3) | COMMUNICATION & SIGNAL - TRACK WORK SUPPORT |              | \$558      |
| (4) | GRADE CROSSING RENEWAL                      |              | \$23,948   |
| (6) | T&E & ROLLING STOCK RENTAL                  |              | \$12,760   |
| (7) | BRIDGE TIES                                 | 0 ties       | <u>\$0</u> |
|     | TOTAL                                       |              | \$457,605  |

## RAIL OPERATIONS - REHABILITATION ESTIMATE

### Piedmont Division - WF Line (0.00 - 5.90) DIVISION TRACK MAINTENANCE GANG (5-MAN)

---

|                                    |                  |          |            |
|------------------------------------|------------------|----------|------------|
| 50 39-foot sections                | 50 rails         |          |            |
| Production rate: (rails per day)   | 5.00             |          |            |
| Number of days                     | 10.00            |          |            |
| DIRECT COSTS:                      |                  |          | TOTAL COST |
| Wages - BMW                        |                  |          | \$10,638   |
| Expense reimbursements             |                  |          | \$3,423    |
| Jointed Rail - Relay 100# Internal | 0.12 net tons    | \$430.00 | \$52       |
| Compromise joint bars              | 100 each         | \$44.90  | \$4,490    |
| Track spikes, new                  | 2 Kegs           | \$71.54  | \$143      |
| Panel turnout, new                 | 0.00 ea/ ml mile | \$36,000 | \$0        |
| Tie plugs, new                     | 1 1,000 pack     | \$28.00  | \$28       |
| Other material & expenses          |                  |          | \$1,000    |
| Sub-Total                          |                  |          | \$19,774   |
| LABOR ADDITIVES/FRINGES            |                  | 53.10%   | \$5,649    |
| TOTAL                              |                  |          | \$25,423   |

### Rail Replacement Summary

|     |                  |          |
|-----|------------------|----------|
| (1) | RAIL REPLACEMENT | \$25,423 |
|     |                  | <hr/>    |
|     | TOTAL RAIL       | \$25,423 |

# MISCELLANEOUS OPERATIONS - REHABILITATION ESTIMATE

Piedmont Division - WF Line (0.00 - 5.90)

## BRUSH & TREE REMOVAL

### CONTRACTOR

|                                             |             |          |
|---------------------------------------------|-------------|----------|
| Excavator with Brush Shredder (2) 10 Hr Day | \$150.00/Hr | \$3,000  |
| Lowboy Trailer                              | \$25.00/Hr  | \$250    |
| Tractor Truck                               | \$45.00/Hr  | \$450    |
| Labor (2 men 10Hr Day)                      | \$15.00/Hr  | \$300    |
| Daily Cost                                  |             | \$4,000  |
| Estimated Days                              |             | 5        |
| TOTAL                                       |             | \$20,000 |

## DITCHING/CULVERT CLEAN-OUT

### DIRECT COSTS

|              |                      |         |
|--------------|----------------------|---------|
| BMWE - Wages | 0.75 Months w/ 2 men | \$4,662 |
|--------------|----------------------|---------|

|                 |        |         |
|-----------------|--------|---------|
| LABOR ADDITIVES | 53.10% | \$2,476 |
|-----------------|--------|---------|

### SUPPLIES/MAINT

|            |                      |         |       |
|------------|----------------------|---------|-------|
| Gang Truck | 21 Days              | \$21.00 | \$441 |
| Gradall    | 21 Days w/2 machines | \$21.00 | \$882 |

|       |         |
|-------|---------|
| TOTAL | \$8,461 |
|-------|---------|

# MISCELLANEOUS OPERATIONS - REHABILITATION ESTIMATE

Piedmont Division - WF Line (0.00 - 5.90)

## BANK STABILIZATION

1 Location (WF2.3 - WF 2.5)

### DIRECT COSTS

|              |                           |       |
|--------------|---------------------------|-------|
| BMWE - Wages | 1 Day each location/5 men | \$740 |
|--------------|---------------------------|-------|

|                 |        |       |
|-----------------|--------|-------|
| LABOR ADDITIVES | 53.10% | \$393 |
|-----------------|--------|-------|

NS POWER TO UNLOAD RIP RAP

|                         |   |           |         |
|-------------------------|---|-----------|---------|
| T&E CREWS, POWER - RAIL | 1 | CREW DAYS | \$1,960 |
|-------------------------|---|-----------|---------|

### MATERIAL

|         |          |         |         |
|---------|----------|---------|---------|
| Truck   | 1 Days   | \$21.00 | \$21    |
| Gradall | 1 Days   |         | \$0     |
| Rip Rap | 200 Tons | \$10.00 | \$2,000 |

|       |         |
|-------|---------|
| TOTAL | \$5,114 |
|-------|---------|

**Norfolk Southern Railway Company  
Halls Ferry – Badin, NC**

**Projection of Bridge Costs**

# 10-YEAR PROJECTION OF BRIDGE COSTS

05/09/05

LINE SEGMENT : HALLS FERRY JCT., NC (MP WF-0.0) TO BADEN, NC (MP WF-11.1)

10-YEAR CAPITAL & MAINTENANCE PROGRAM

| ROUTINE       |             | TIE DECK RENEWALS |          |         | CULVERTS |          |          | BRIDGE REPAIRS/REPLACEMENTS |         |          | YEAR TOTAL |          |
|---------------|-------------|-------------------|----------|---------|----------|----------|----------|-----------------------------|---------|----------|------------|----------|
| YEAR          | MAINTENANCE | BRIDGE            | MILEPOST | EXPENSE | MILEPOST | EXPENSE  | CAPITAL  | MILEPOST                    | EXPENSE | CAPITAL  | CAPITAL    | EXPENSE  |
| 2005          | \$1,600     | NONE              | NONE     | \$0     | \$0      | NONE     | \$0      | NONE                        | \$0     | \$0      | \$0        | \$1,600  |
| 2006          | \$1,800     | NONE              | NONE     | \$0     | \$0      | NONE     | \$0      | NONE                        | \$0     | \$0      | \$0        | \$1,800  |
| 2007          | \$1,800     | NONE              | NONE     | \$0     | \$0      | WF-10.10 | \$15,000 | NONE                        | \$3,000 | \$0      | \$15,000   | \$4,800  |
| 2008          | \$2,200     | NONE              | NONE     | \$0     | \$0      | NONE     | \$0      | NONE                        | \$0     | \$0      | \$0        | \$2,200  |
| 2009          | \$1,800     | NONE              | NONE     | \$0     | \$0      | NONE     | \$0      | NONE                        | \$0     | \$0      | \$0        | \$1,800  |
| 2010          | \$1,800     | NONE              | NONE     | \$0     | \$0      | NONE     | \$0      | NONE                        | \$0     | \$0      | \$0        | \$1,800  |
| 2011          | \$1,800     | NONE              | NONE     | \$0     | \$0      | NONE     | \$0      | NONE                        | \$0     | \$0      | \$0        | \$1,800  |
| 2012          | \$1,800     | WF-2.10           | WF-2.10  | \$3,700 | \$800    | NONE     | \$0      | NONE                        | \$0     | \$0      | \$3,700    | \$2,600  |
| 2013          | \$1,800     | NONE              | NONE     | \$0     | \$0      | NONE     | \$0      | NONE                        | \$0     | \$0      | \$0        | \$1,800  |
| 2014          | \$1,800     | NONE              | NONE     | \$0     | \$0      | NONE     | \$0      | WF-2.10                     | \$3,200 | \$90,000 | \$90,000   | \$5,000  |
| 10-YEAR TOTAL | \$18,200    |                   |          | \$3,700 | \$800    |          | \$15,000 |                             | \$3,000 | \$90,000 | \$108,700  | \$25,200 |
| 10-YEAR AVG.  | \$1,820     |                   |          | \$370   | \$80     |          | \$1,500  |                             | \$300   | \$9,000  | \$10,870   | \$2,520  |

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 6 (Financial Exhibits) to the Petition for Exemption of the Discontinuance of Service by Norfolk Southern Railway Company (NSR) the Abandonment of Operating Rights under lease by Yadkin Railroad Company (Yadkin) between milepost WF 0.0 at Halls Ferry Junction, NC and milepost WF 11.11 at Badin, NC., and the Abandonment of Operating Rights under lease by the Winston-Salem Southbound Railway Company (WSSB) between milepost WF 5.90 at Whitney, NC and milepost WF 11.11 at Badin and I am sponsoring those exhibits.

NSR currently operates over the entire line between milepost WF 0.0 at Halls Ferry and WF 11.11 at Badin, which is leased by its wholly-owned subsidiary Yadkin, in

order to serve the sole customer on the line, Alcoa, Inc. at Badin. Alcoa is successor to Tallassee Power Company, the original lessor of the line. Under the terms of the 1916 lease, NSR, Yadkin and WSSB are obligated to maintain the line while it is under operation; following abandonment, the line will revert to Alcoa. WSSB is a Class III switching carrier jointly owned by NSR and CSX Transportation, Inc. (CSXT). WSSB traffic originating or terminating at the Alcoa facility at Badin consists of cars in the account of CSXT moving between Badin and the junction with CSXT at Wadesboro, NC. WSSB last provided direct train service between Whitney and Badin in 1996. Since that time, NSR has performed switching at Alcoa on behalf of WSSB and CSXT pursuant to a 1996 operating agreement under which NSR interchanges the CSXT Alcoa traffic to or from WSSB at Whitney, NC and provides haulage on behalf of CSXT between Whitney and Badin. CSXT has no operating rights to serve Badin directly.

Rail traffic at Alcoa's facility at Badin has dropped significantly since Alcoa curtailed most of its operations there in 2002 as indicated by the following chart:

| <b>Year</b> | <b>NSR<br/>Carloads</b> | <b>CSXT/ WSSB<br/>Carloads</b> | <b>Total<br/>Carloads</b> |
|-------------|-------------------------|--------------------------------|---------------------------|
| 2001        | 1,811                   | 495                            | 2,306                     |
| 2002        | 1,394                   | 440                            | 1,834                     |
| 2003        | 549                     | 220                            | 769                       |
| 2004        | 290                     | 244                            | 534                       |
| 2005        | 88                      | 129                            | 217                       |

In 2005, NSR Alcoa traffic at Badin was 95% below 2001 levels, and total carloads dropped 91% below the 2001 count. This precipitous decline in traffic levels has made it impossible to continue operating this branch line without incurring a loss.

The first part of my statement will address the present NSR operation between Halls Ferry and Badin, while the second part will discuss a hypothetical case under which WSSB would operate the line between Whitney and Badin under its operating rights, which now have been dormant since 1996. The Base Year in each case is October 2004 through September 2005. In accordance with the Board's regulations found at 49 CFR §1152.2(h), the Forecast Year in each case is March 2006 through February 2007. The NSR and WSSB 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. This includes operating and financial information relating to the ownership and operation of WSSB.

### **NSR Operation between Halls Ferry and Badin, NC**

Petition Exhibits 2 and 3 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. As discussed in the verified statement of Stephen H. Morrell (VS Morrell), substantial rehabilitation of the branch would be required in order for it to continue in operation. Petition Exhibit 2 shows that the cars NSR originated or terminated on the line declined from 549 in 2003 to 290 in 2004 to 88 in 2005. Line 17 on Petition Exhibit 3 shows that the branch's loss was \$358,881 for the Base Year and a loss of \$369,466 is projected for the Forecast Year. I do not believe that this line can be operated profitably. Moreover, this operating loss does not include any part of the rehabilitation costs of \$516,602 which would be required to be expended in order to retain the line for continued service. VS Morrell, page 2.

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 revenue of \$251,449 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. Carloads and tons for the 112 cars in NS' account during the Base Year are shown in Petition Exhibit 2 which is attached to the Petition. Base Year revenues also include haulage revenue of \$9,541 for the 173 cars in the account of CSXT handled between the junction with WSSB at Whitney and the Alcoa facility at Badin.

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 projected values were provided by Global Insight (formerly DRI). The composite GDP Deflators thus produced for the base and forecast years, respectively, are 111.3171 and 115.4682. The adjustment factor thus produced is 3.73%.<sup>1</sup> The indexed forecast year total revenue is therefore \$270,723.

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<sup>1</sup>  $(115.4682/111.3171)-1$

Maintenance of Way and Structures expense (line 5a)

The calculation of the normalized maintenance expense included in Petition Exhibit 3, line 5a, \$200,500<sup>2</sup> is discussed in VS Morrell. The forecast year normalized maintenance expense, indexed to the GDP Deflator, is \$207,977.

Locomotive replacement cost

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 are used on the branch. 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 157.8. The average of forecasted values for PPI-RE for March through June 2006 as contained in the Association of American Railroads (AAR) submission to the Board for the first quarter 2006 Rail Cost Adjustment Factor (RCAF), which is 181.1, has been used as a proxy for the forecast year PPI-RE. 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 \$1,374,773<sup>3</sup> and \$1,584,998<sup>4</sup>, respectively.

Maintenance of equipment (line 5b)

<sup>2</sup> This is the sum of the normalized maintenance figures for the Halls Ferry – Whitney and Whitney – Badin segments of the line as shown in Petition Exhibits 4 and 4a.

<sup>3</sup> \$791,186x157.8/90.4

<sup>4</sup> \$791,186x181.1/90.4

Maintenance of equipment expenses included in Petition 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 37.71%.

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 2004, 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 2005 was 31.2 years. As 3.58% times 31.2 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.

#### Transportation (line 5c)

Transportation expenses included in Petition Exhibit 3 were developed for the *pro forma* train operations in accordance with the Board's regulations. Badin is served by local assignment P91 which uses one four-axle locomotive. This assignment has a

three-person crew which goes on and off duty at the Alcoa facility at Badin five days per week. A total of 251 crew starts were operated during the Base Year. After performing local and intra-plant switching at Badin, the job proceeds to Whitney, where switching of cars to or from the WSSB occurs. The local then proceeds to Halls Ferry Junction, where the WF line connects with the NSR N line. The crew performs work off-branch on the N line for several hours and also switches Alcoa cars which have been brought to or will be moved from Halls Ferry Junction by another NSR assignment. The crew returns to the subject WF line, and returns to Badin, also stopping again to pick up cars from WSSB at Whitney. On a *pro forma* basis, 1.11 hours are required each way for the crew to traverse the WF line at 10 miles per hour, the train speed limit for FRA Class 1 track. An additional two hours are devoted to switching at Badin, Whitney and Halls Ferry Junction, for a total time on duty on the subject branch of 4.22 hours. 53%<sup>5</sup> of the straight time portion of the assignment's actual compensation during the base year was attributed to the branch as crew costs, for a total of \$144,814, including productivity fund contributions and fringe benefits. This figure understates the actual crew costs as in practice the trip takes longer than assumed here as the track is in excepted status and parts of it are operated at speeds below 10 mph.

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.

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<sup>5</sup> The ratio of 4.22 hours on-branch to the 8-hour minimum day under the applicable labor agreements.

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 32.16%. 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).

The Costs Department also calculated the actual car days on branch based on NSR car movement records. The average car spent 7.5 days on-branch. My office developed the total car days and the car miles on-branch for the line's traffic and calculated the freight car costs. 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). NSR 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)

"Off-branch costs" are those costs incurred by NSR on the remainder of its railroad system in moving rail shipments to and from the line segment which is the subject of this abandonment. Off-branch costs are computed in accordance with 49 CFR § 1152.32(n) and are determined using the Uniform Rail Costing System (URCS) formula, which is applied to the Form R-1 filed with this Board by NSR. Off-branch costs to or from an NSR origin, destination or point of interchange not on the branch line reflect characteristics of the movement such as car type, car ownership weight and distance.

The unit costs used to compute off-branch costs (except for freight car costs) result from the application of 2003 URCS data, which is the latest available. The Costs Department developed off-branch unit costs and calculated the base year off-branch costs at my request. 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)) | \$431,853    |
| B. Locomotive depreciation                          | 0            |
| C. Freight car depreciation                         | <u>1,332</u> |
| D. Avoidable costs less depreciation (A-B-C)        | 430,521      |
| E. Working capital (D x 0.041)                      | \$17,651     |

Net liquidation value is zero, as NSR owns neither the right-of-way nor the track, both of which will revert to Alcoa following abandonment. Income tax consequences are therefore also zero.

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

The nominal rate of return, Petition Exhibit 3, line 13, was calculated in accordance with the Board's decision in Railroad Cost of Capital – 2004, Ex Parte No. 558 (Sub-No. 8), served June 30, 2005 and the Board's regulations found at 49 CFR §1152.34(d). The current nominal before tax cost of capital rate thus calculated is 14.87%.

The nominal return on road properties, Petition Exhibit 3, line 14, was calculated by multiplying the current valuation of property, consisting of working capital only (line 12), by 14.87%.

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

Because net liquidation value is zero, the estimated holding gain during the forecast year is also zero.

**Hypothetical WSSB Operation between Whitney and Badin, NC**

The purpose of this section of my statement is to demonstrate that in the absence of NSR service over the line, WSSB would also be unable to operate the Whitney – Badin segment of the line to serve Alcoa without incurring a substantial operating loss. As WSSB does not now operate over the line and has not done so for the last decade, this is a purely hypothetical presentation based on reasonable assumptions.

A 1995 Operating Agreement between CSXT and NSR predecessor Norfolk and Western Railway Company (NW) provides for the operation of WSSB as a switching carrier which handles traffic in the accounts of its owners, NSR and CSXT. WSSB is compensated by its owners for switching in accordance with a schedule of rates which is a part of the agreement and is updated periodically. These switching rates are designed to place WSSB on a "break even" basis, and thus are reflective of the costs for WSSB to provide these services in the normal course of business. Under the operating agreement, the owners provide a variety of administrative and support services to the WSSB such as furnishing locomotives for its use. Under a subsequent

1996 NSR-CSXT agreement, NSR now provides haulage of CSXT traffic between the junction with WSSB at Whitney and the Alcoa facility at Badin. A map depicting the WSSB system is attached as Petition Exhibit 5.

WSSB is a Class III carrier with represented employees under standard rail labor agreements with standard rates and coverage under national benefit plans. WSSB costs are therefore in line with those of its parents. Motive power used by WSSB is supplied by its parents. For these reasons, it is reasonable to use costs based on the NSR for R-1 to provide an objective estimate of costs incidental to the WSSB hypothetical operation of the branch.

Petition Exhibit 6 illustrates the branch's revenues, expenses and opportunity costs for the Base and Forecast years, and is based on a *pro forma* operation of the Whitney – Badin line by WSSB. Line 17 on Petition Exhibit 6 shows that the branch's loss would be \$229,485 for the Base Year and a loss of \$238,041 would be projected for the Forecast Year. I do not believe that WSSB could operate this line profitably. In fact, the normalized maintenance expense greatly exceeds the annual switch revenue for the segment. 285 carloads per year represents less than one car per day or 1.1 cars per weekday. This is simply an insufficient level of traffic to sustain this branch line.

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 hypothetical WSSB freight revenue of \$43,595 during the Base Year consists of switch charges for 173 cars in the

account of CSXT at \$173.40 per car and 112 cars in the account of NS at \$121.40 per car.

Forecast year car movements attributable to the branch are assumed to be the same as for the base year. Forecast year revenues were indexed to the GDP Deflator.

Maintenance of Way and Structures expense (line 5a)

The calculation of the normalized maintenance expense for the Whitney – Badin segment included in Petition Exhibit 6, line 5a, \$111,350<sup>6</sup>, is discussed in VS Morrell. The costs would be the same under WSSB operation. The forecast year normalized maintenance expense, indexed to the GDP Deflator, is \$115,502.

Locomotive replacement cost

Locomotive replacement cost is determined in accordance with the Board's regulations found at 49 CFR §1152.32(o) (1) as discussed in the NSR section of my statement above. One GMA horsepower classification Category 5 locomotive would be used on the branch under the WSSB scenario.

Maintenance of equipment (line 5b)

Maintenance of equipment expenses included in Petition Exhibit 6 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.

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<sup>6</sup> See Petition Exhibit 4a.

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 49 CFR 1152.33(b) (3). The fringe benefit rate thus calculated for the base year is 37.71%.

Locomotive depreciation expense is zero as NSR Category 5 locomotives are considered to have zero book value for the purposes of these calculations, as discussed above.

Transportation (line 5c)

It would be necessary for WSSB to establish a new local train assignment in order for WSSB to serve Badin and replicate the switching services now provided by NSR to Alcoa at Badin. The new train would go on and off duty at the WSSB marshalling yard at High Rock, NC.

CSXT Alcoa traffic would move between the junction with CSXT at Wadesboro and Whitney in existing WSSB train service as it does today. NSR Alcoa traffic would move between the junction with NSR at Lexington, NC and High Rock in existing WSSB train service as other NSR traffic moves today. Under the table of WSSB switching rates applied to its parents' traffic, the break-even cost for WSSB to move the CSXT traffic between Wadesboro and Whitney would be \$163 per loaded car and the break-even cost for WSSB to move the NSR traffic between Lexington and High Rock would be \$91 per loaded car.

It should be noted that the revenue to WSSB per CSXT car is \$173.40 for the movement between Wadesboro and Badin (see section, "Revenue" above), while the cost between Wadesboro and Whitney is \$163. The net effect is that the incremental revenue to WSSB, as compared to the status quo, from extending its haul an additional five miles from Whitney, the existing terminus, to Badin, would be \$10.40 per loaded car.

The new WSSB assignment would originate at High Rock where the crew would make up its train with NSR traffic and proceed south to Whitney via High Rock, where it would pick up CSXT traffic and then proceed on to Badin. At Badin it would perform switching of Alcoa, and then return north to Whitney, where it would set off CSXT traffic. The train would then return to High Rock with NSR traffic and tie up. This assignment would traverse 33 miles round trip, of which 10.4 miles or 31.9% would be on-branch (between Whitney and Badin). The new assignment would use one four-axle locomotive and carry a three-person crew.

For the purposes of this hypothetical presentation, it is assumed that the new train would operate three times per week and only the actual crew time on duty has been taken into account, with the result that this analysis has been charged with only 40% of the annual cost of a crew. Both assumptions are generously conservative and are intended to assure that the operating cost of this hypothetical WSSB operating plan is not overstated. In reality, NSR now serves Badin five days per week, WSSB locals are bulletined for a minimum of five days per week and their crews are paid on the basis of a minimum day consisting of eight hours.

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) based on NSR results. 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) based on NSR results. 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.

The NSR transportation fringe benefit rate calculated for the base year as described above (32.16%) was used for these calculations. Forecast year fringe benefit costs were developed by indexing base year expenses by the GDP deflator.

Freight car costs (lines 5g and 5i)

Freight cars switched by WSSB remain in the accounts of NSR and CSXT, therefore WSSB incurs no car costs and these lines are zero.

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 NSR Category 5 locomotives is zero for the purpose of these calculations, return on value expense for locomotives is also zero.

On-branch and off-branch costs

The breakdown of total avoidable costs between on-branch and off-branch is depicted in Petition Exhibit 6. Base year on-branch costs of \$150,221 consist of normalized maintenance costs for the branch plus 31.9%, on a mileage pro-rata basis, of the costs of operating the new assignment. Base year off-branch costs of \$122,850 consist of the remaining 68.1% of new assignment costs plus the costs of moving cars between Wadesboro and Whitney and between Lexington and the WSSB marshalling yard at High Rock. Forecast year on-branch (\$155,822) and off-branch (\$127,441) costs were developed by indexing base year costs 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 (both zero) and then multiplying the result by 15/365 or 0.0411 to produce 15 days' worth:

|                                                     |           |
|-----------------------------------------------------|-----------|
| A. On-branch avoidable costs (Exhibit 6, line 7(a)) | \$155,822 |
| B. Locomotive depreciation                          | 0         |
| C. Freight car depreciation                         | 0         |
| D. Avoidable costs less depreciation (A-B-C)        | 155,822   |
| E. Working capital (D x 0.041)                      | \$6,389   |

Net liquidation value is zero, as WSSB owns neither the right-of-way nor the track, both of which will revert to Alcoa following abandonment. Income tax consequences are therefore also zero.

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

The nominal rate of return, Petition Exhibit 6, line 13, was calculated in accordance with the Board's decision in Railroad Cost of Capital – 2004, *Ex Parte* No. 558 (Sub-No. 8), served June 30, 2005 and the Board's regulations found at 49 CFR §1152.34(d). The current nominal before tax cost of capital rate thus calculated is 14.87%.

The nominal return on road properties, Petition Exhibit 6, line 14, was calculated by multiplying the current valuation of property, consisting of working capital only (line 12), by 14.87%.

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

Because net liquidation value is zero, the estimated holding gain during the forecast year is also zero.

\*

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.

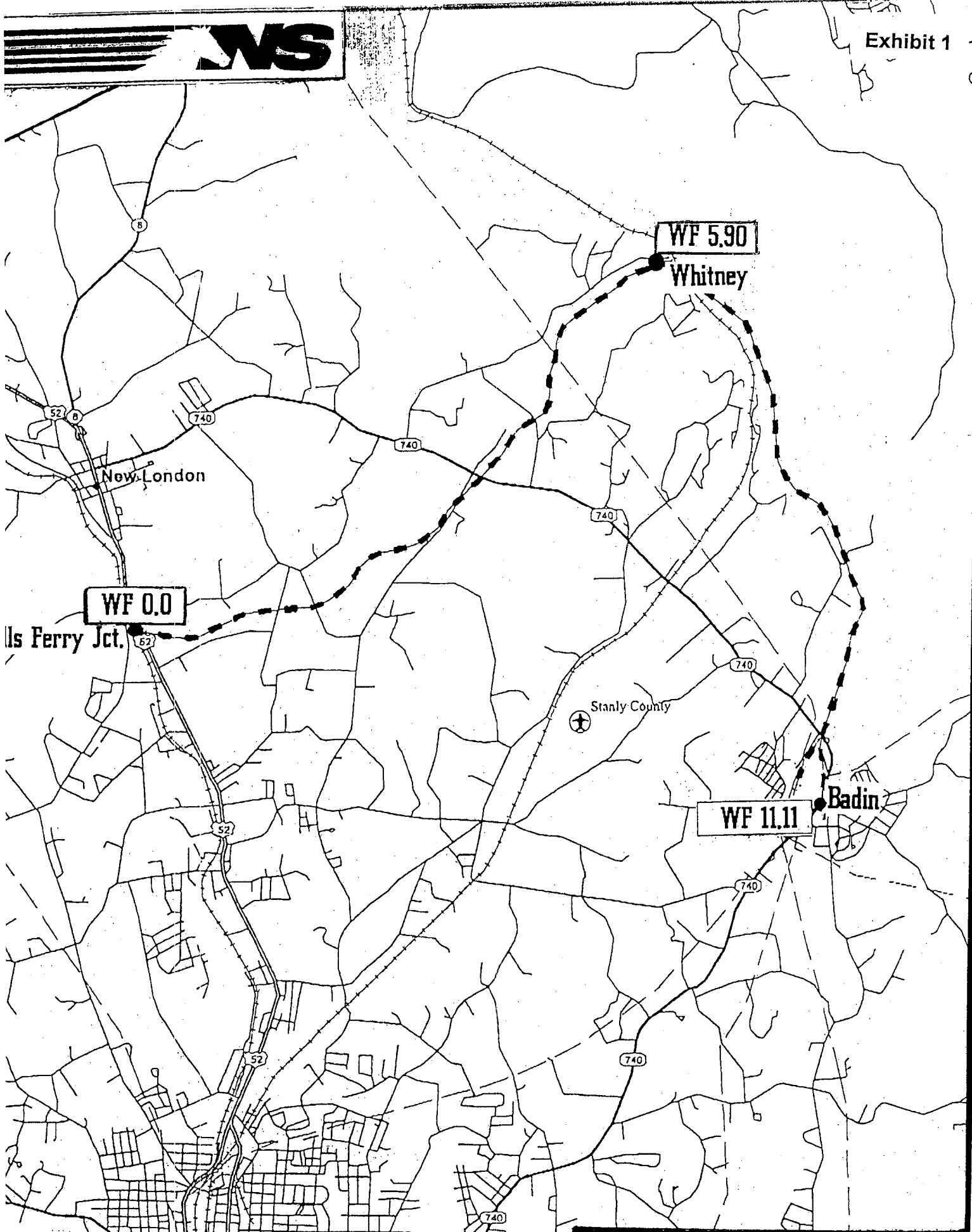
Executed on March 27, 2006



Marcellus C. Kirchner



Exhibit 1



**Exhibit 2**

**Surface Transportation Board Docket No. AB 290 (Sub-No. 254X)**

**Halls Ferry Junction to Badin, NC  
Milepost WF 0.00 to Milepost WF 11.11  
Proposed Abandonment and Discontinuance of Service**

**NORFOLK SOUTHERN RAILWAY COMPANY  
COMMODITIES BY CARLOADS AND TONNAGE  
49 C.F.R. § 1152.22(e)(2)**

| Commodity                    | 2003       |               | 2004       |               | Year Ending<br>September 2005 (Base<br>Year) |               | 2005      |              |
|------------------------------|------------|---------------|------------|---------------|----------------------------------------------|---------------|-----------|--------------|
|                              | Cars       | Tons          | Cars       | Tons          | Cars                                         | Tons          | Cars      | Tons         |
| ALUMINA CALCINED OR HYDRATED | 20         | 2,205         | 66         | 7,306         | 16                                           | 1,769         | 0         | 0            |
| ALUMN BILLETS                | 243        | 21,992        | 218        | 20,350        | 91                                           | 8,214         | 86        | 8,124        |
| COKE, PETROCALC              | 4          | 392           | 0          | 0             | 0                                            | 0             | 0         | 0            |
| ELECTRODE BINDE              | 2          | 170           | 0          | 0             | 0                                            | 0             | 0         | 0            |
| ELECTRODES FRNC              | 278        | 19,070        | 0          | 0             | 0                                            | 0             | 0         | 0            |
| INGOTS, IRON OR STEEL        | 0          | 0             | 6          | 451           | .5                                           | 376           | 2         | 150          |
| PETROLEUM COKE               | 1          | 93            | 0          | 0             | 0                                            | 0             | 0         | 0            |
| SHEET STEEL                  | 1          | 69            | 0          | 0             | 0                                            | 0             | 0         | 0            |
| <b>Totals:</b>               | <b>549</b> | <b>43,991</b> | <b>290</b> | <b>28,107</b> | <b>112</b>                                   | <b>10,359</b> | <b>88</b> | <b>8,274</b> |

**Sole Customer on the Line:**

**Alcoa Primary Metals - Southeast Region  
Badin Works  
P. O. Box 576  
Badin, NC 28009**

Surface Transportation Board Docket No. AB 290 (Sub-No. 254X)

Norfolk Southern Railway Company

Pro Forma Income Statement

Proposed Abandonment / Discontinuance of Service / Operating Rights

Halls Ferry Junction to Badin, NC - Milepost WF 0.00 to Milepost WF 11.11

Railway operating revenues and expenses\* for the Halls Ferry Junction, NC to Badin, NC line segment; a distance of approximately 11.11 miles.

|                                                                                                                     | BASE<br>YEAR 1/<br>112 | FORECAST<br>YEAR 2/<br>112 |
|---------------------------------------------------------------------------------------------------------------------|------------------------|----------------------------|
| <b>CARLOADS:</b>                                                                                                    |                        |                            |
| <b>REVENUES ATTRIBUTABLE FOR:</b>                                                                                   |                        |                            |
| 1 Freight Originating and/or Terminating on branch                                                                  | \$ 251,449             | \$ 260,826                 |
| 2 Haulage performed on branch                                                                                       | 9,541                  | 9,897                      |
| 3 All other Revenue and Income                                                                                      | 0                      | 0                          |
| 4 TOTAL ATTRIBUTABLE REVENUE (Lines 1 through 3) (a)                                                                | \$ 260,990             | \$ 270,723                 |
| <b>AVOIDABLE COSTS FOR:</b>                                                                                         |                        |                            |
| 5 ON-BRANCH COSTS:                                                                                                  |                        |                            |
| a. Way and Structures (b)                                                                                           | \$ 200,500             | \$ 207,977                 |
| b. Equipment (c)                                                                                                    | 6,138                  | 6,367                      |
| c. Transportation (d)                                                                                               | 193,566                | 200,783                    |
| d. General and Administrative                                                                                       | 0                      | 0                          |
| e. Deadheading, Taxi and Hotel                                                                                      | 0                      | 0                          |
| f. Overhead Movement                                                                                                | 0                      | 0                          |
| g. Freight Car Costs (Other Than Return)                                                                            | 6,586                  | 6,831                      |
| h. Return on Value - Locomotives                                                                                    | 0                      | 0                          |
| i. Return on Value - Freight Cars                                                                                   | 9,540                  | 9,895                      |
| j. Revenue Taxes                                                                                                    | 0                      | 0                          |
| k. Property Taxes                                                                                                   | 0                      | 0                          |
| l. TOTAL (Lines 5a through 5k)                                                                                      | \$ 416,330             | \$ 431,853                 |
| m. Holding Gain (Loss) - Locomotives                                                                                | 0                      | 0                          |
| n. Holding Gain (Loss) - Freight Cars                                                                               | 0                      | 2,819                      |
| o. NET ON-BRANCH COSTS (Lines 5l - (5m + 5n))                                                                       | \$ 416,330             | \$ 429,034                 |
| 6 OFF-BRANCH COSTS:                                                                                                 |                        |                            |
| a. Off-Branch Costs (Other Than Return)                                                                             | \$ 203,746             | \$ 211,344                 |
| b. Return on Value - Freight Cars                                                                                   | (205)                  | (213)                      |
| c. Holding Gain (Loss) - Freight Cars                                                                               |                        | (24)                       |
| d. NET OFF-BRANCH COSTS (Lines 6a + 6b - 6c)                                                                        | 203,541                | 211,155                    |
| 7 TOTAL AVOIDABLE COSTS (Lines 5o + 6d)                                                                             | \$ 619,871             | \$ 640,189                 |
| <b>SUBSIDIZATION COSTS FOR:</b>                                                                                     |                        |                            |
| 8 Rehabilitation                                                                                                    |                        | \$ 516,602                 |
| 9 Administrative Costs (Subsidy Year only) (See Note 1)                                                             |                        | 0                          |
| 10 Casualty Reserve Account (See Note 1)                                                                            |                        | 0                          |
| 11 TOTAL SUBSIDIZATION COST (Lines 8 through 10)                                                                    |                        | \$ 516,602                 |
| 12 Valuation of road properties (See Note 2)                                                                        |                        |                            |
| a. Working Capital                                                                                                  |                        | \$ 17,651                  |
| b. Income Tax Consequences                                                                                          |                        | 0                          |
| c. Net Liquidation Value                                                                                            |                        | 0                          |
| d. TOTAL (Lines 12a through 12c)                                                                                    |                        | \$ 17,651                  |
| 13 Nominal Rate of Return (See Note 3)                                                                              |                        | 14.87%                     |
| 14 Nominal Return on Value (Line 12d x Line 13)                                                                     |                        | \$ 2,625                   |
| 15 Holding gain (Loss) on road properties (See Note 4)                                                              |                        | 0                          |
| 16 TOTAL RETURN ON VALUE (Line 14 - Line 15)                                                                        |                        | \$ 2,625                   |
| 17 AVOIDABLE LOSS (PROFIT) FROM OPERATIONS (Line 7 - Line 4)                                                        | \$ 358,881             | \$ 369,466                 |
| 18 AVOIDABLE LOSS (PROFIT) INCLUDING RETURN ON VALUE (Line 7 - Line 4 + Line 16)                                    |                        | \$ 372,091                 |
| 19 AVOIDABLE LOSS (PROFIT) INCLUDING SUBSIDIZATION COSTS & RETURN ON VALUE<br>(Line 7 - Line 4 + Line 11 + Line 16) |                        | \$ 888,693                 |

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

1. October 2004 - September 2005 is the Base Year.

2. March 2006 - February 2007 is the Forecast Year. Subsidy Year figures are the same as for the Forecast Year.

Surface Transportation Board Docket No. AB 290 (Sub-No. 254X)

Norfolk Southern Railway Company

Pro Forma Income Statement

Hall's Ferry Jct., NC to Badin, NC Line Segment: WF 0.00 to WF 11.11

- (a) Base year attributable branch traffic and revenues are for one hundred twelve (112) carloads, which originated and/or terminated on the branch, plus haulage revenue for one-hundred and seventy-three (173) carloads in the account of CSXT. Forecast year attributable traffic and revenue are for the same NSR traffic and the same CSXT haulage movements. Forecast year revenues are derived from the base year revenues by indexing them to the Gross Domestic Product (GDP) Implicit Price Deflator, Seasonally Adjusted (Quarterly Series, 2000=100), using Forecast Year predicted values provided by Global Insight. The Base Year to Forecast Year adjustment factor thus produced is 3.73%.
- (b) The normalized annual Way and Structures (WS) expenses to operate the branch line from Halls Ferry Junction, NC, Milepost WF 00.00, to Badin, NC, Milepost WF 11.11, at the FRA Class I track and safety standards for the base year are \$200,500, and for the forecast year are \$207,977, derived from the base year expense adjusted using the GDP deflator as described in (a).
- (c) Equipment includes repairs and maintenance of locomotives, totaling \$5,445 for the base year and \$5,648 for the forecast year, which is calculated in accordance with provisions of 49 C.F.R. §1152.33(b)(1), and fringe benefits, totaling \$693 for the base year and \$719 for the forecast year, which is calculated in accordance with provisions of 49 C.F.R. §1152.33(b)(3), totaling \$6,138 for the base year and \$6,367 for the forecast year.
- (d) Base year transportation expenses include train and engine crew labor, totaling \$144,814 (including fringe benefits); train inspection and lubrication, totaling \$437; crew materials totaling \$12, which are calculated in accordance with provisions of 49 C.F.R. §1152.33(c)(1)(i); locomotive fuel, totaling \$46,984, which is calculated in accordance with provisions of 49 C.F.R. §1152.33(c)(1)(ii); and servicing locomotives, totaling \$1,319, which is calculated in accordance with provisions of 49 C.F.R. §1152.33(c)(1)(iv), for a grand total of \$193,566 for the base year.

Forecast year transportation expenses, which are adjusted using the GDP deflator as described in (a), include train and engine crew labor, totaling \$150,214 (including fringe benefits); train inspection and lubrication, totaling \$453; crew materials totaling \$12; locomotive fuel, totaling \$48,736; and servicing locomotives, totaling \$1,368; for a grand total of \$200,783 for the forecast year.

- Note 1. Omitted in accordance with provisions of Footnote 2 in 49 C.F.R. §1152.36.
- Note 2. As the line is not owned by NSR, the total valuation of property to NSR is the working capital only. The working capital, \$17,651, is calculated in accordance with provisions of 49 C.F.R. §1152.34(c)(1)(i).
- Note 3. The nominal before tax cost of capital rate of 14.87% is based on Railroad Cost of Capital - 2004, Ex Parte No. 558 (Sub-No. 8), Service Date June 30, 2005, decided June 21, 2005.
- Note 4. Holding gain (loss) on road properties is zero as the property is not owned by NSR. The nominal return on value is \$2,625.

NORMALIZED MAINTENANCE PROJECTION  
2005 to 2014  
Halls Ferry, NC to Whitney, NC

CLASS I

FINANCE SUMMARY:

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

**MAINTENANCE SUMMARY:**

|  | ROUTINE WORK |          |           | PROGRAM WORK |          |       | LINE TOTAL |
|--|--------------|----------|-----------|--------------|----------|-------|------------|
|  | RDWY         | BRIDGE   | TOTAL     | RDWY         | BRIDGE   | TOTAL |            |
|  | \$199,100    | \$10,200 | \$233,300 | \$560,500    | \$97,700 | \$0   | \$891,500  |
|  | \$19,910     | \$1,020  | \$23,330  | \$56,050     | \$9,770  | \$0   | \$89,150   |
|  | \$3,375      | \$173    | \$3,954   | \$9,500      | \$1,656  | \$0   | \$15,110   |

NORMALIZED MAINTENANCE PROJECTION  
2005 to 2014  
Whitney, NC to Badin, NC

(NM)  
10 MPH

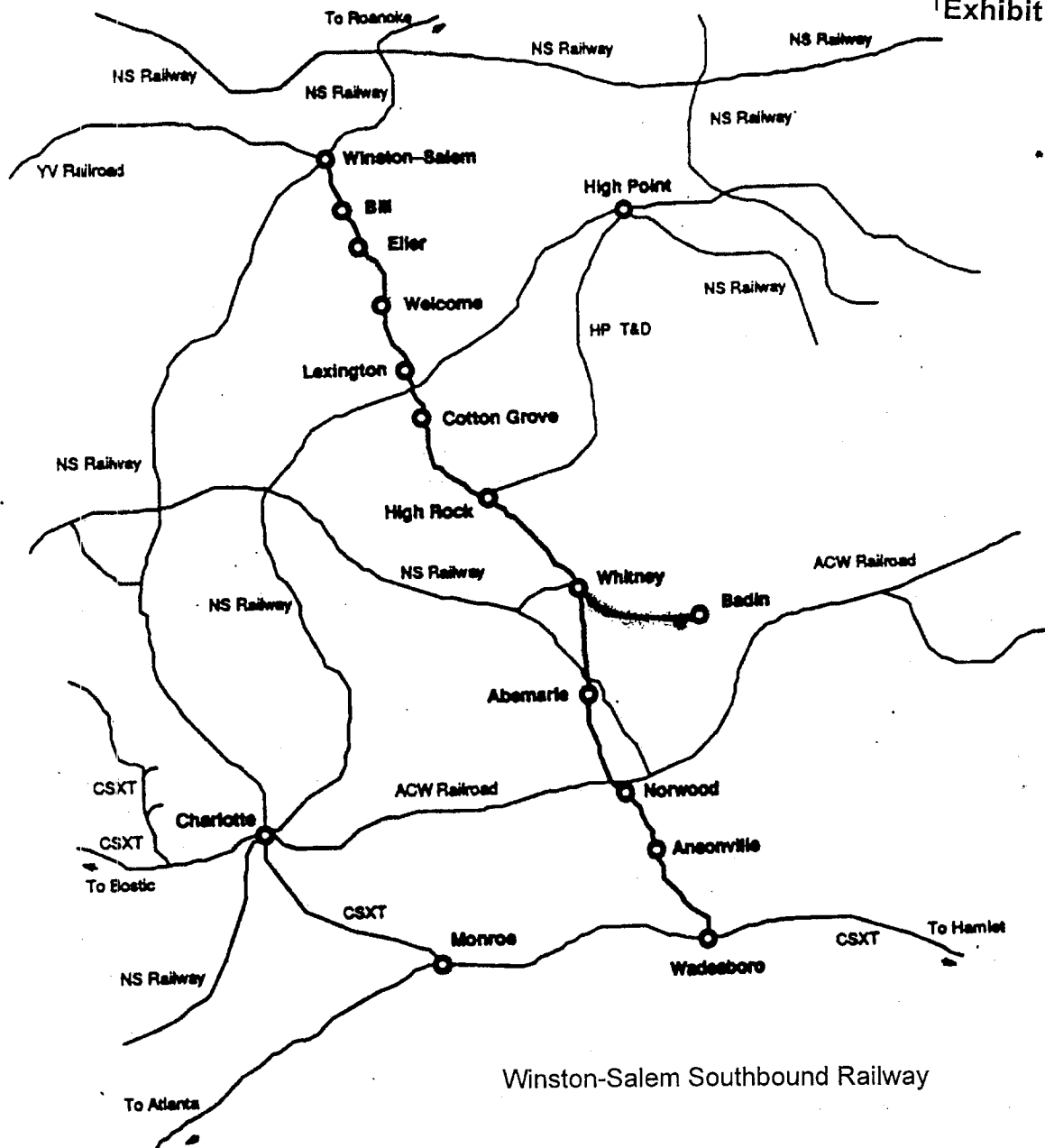
CLASS 1

|                   |                      | 5.21 MILES MAIN TRACK |           |          |          |          |           |          |          |          |          |          |           |
|-------------------|----------------------|-----------------------|-----------|----------|----------|----------|-----------|----------|----------|----------|----------|----------|-----------|
|                   |                      | MILEPOSTS WF          |           | 5.90     |          | 11.11    |           | Year     |          | Year     |          | Year     |           |
|                   |                      | Year                  | Year      | Year     | Year     | Year     | Year      | Year     | Year     | Year     | Year     | Year     | Year      |
|                   |                      | 2005                  | 2006      | 2007     | 2008     | 2009     | 2010      | 2011     | 2012     | 2013     | 2014     |          |           |
| ROUTINE WORK      | INSPECTION           | 3,400                 | 3,400     | 3,400    | 3,400    | 3,400    | 3,400     | 3,400    | 3,400    | 3,400    | 3,400    | 3,400    | 3,400     |
|                   | GENERAL TRACK REPAIR | 6,100                 | 6,100     | 6,100    | 6,100    | 6,100    | 6,100     | 6,100    | 6,100    | 6,100    | 6,100    | 6,100    | 6,100     |
|                   | DITCHING             |                       |           |          |          |          |           |          |          |          |          |          |           |
|                   | BRUSH CUTTING        |                       | 7,500     |          | 7,500    |          | 7,500     |          | 7,500    |          | 7,500    |          | 7,500     |
|                   | RAIL TESTING         | 400                   | 400       | 400      | 400      | 400      | 400       | 400      | 400      | 400      | 400      | 400      | 400       |
|                   | VEGETATION CONTROL   | 700                   | 700       | 700      | 700      | 700      | 700       | 700      | 700      | 700      | 700      | 700      | 700       |
|                   | SIGNAL TEST/REPAIR   | 1,200                 | 1,200     | 1,200    | 1,200    | 1,200    | 1,200     | 1,200    | 1,200    | 1,200    | 1,200    | 1,200    | 1,200     |
|                   | BRIDGE REPAIRS       | 700                   | 800       | 800      | 900      | 800      | 800       | 800      | 800      | 800      | 800      | 800      | 800       |
|                   |                      |                       |           |          |          |          |           |          |          |          |          |          |           |
|                   |                      |                       |           |          |          |          |           |          |          |          |          |          |           |
| ROUTINE SUBTOTAL  |                      | \$12,500              | \$20,100  | \$23,400 | \$20,200 | \$12,600 | \$30,900  | \$12,600 | \$20,100 | \$23,400 | \$20,100 | \$23,400 | \$20,100  |
| PROGRAM WORK      |                      |                       |           |          |          |          |           |          |          |          |          |          |           |
| ROUTINE WORK      | RAIL RENEWAL (RELAY) |                       |           |          |          |          |           |          |          |          |          |          |           |
|                   | RAIL RENEWAL (NEW)   |                       |           |          |          |          |           |          |          |          |          |          |           |
|                   | TIMBER AND SURFACE   |                       |           |          |          |          |           |          |          |          |          |          |           |
|                   | SURFACING            | 405,600               |           |          |          |          | 88,400    |          |          |          |          |          | 405,600   |
|                   | SIGNAL               |                       |           |          |          |          |           |          |          |          |          |          |           |
| BRIDGE RENEWAL    |                      |                       |           |          |          |          |           |          |          |          |          |          |           |
| PROGRAM SUBTOTAL  |                      | \$0                   | \$405,600 | \$18,000 | \$0      | \$0      | \$88,400  | \$0      | \$0      | \$0      | \$0      | \$0      | \$405,600 |
| MAINTENANCE TOTAL |                      | \$12,500              | \$425,700 | \$41,400 | \$20,200 | \$12,600 | \$119,300 | \$12,600 | \$20,100 | \$23,400 | \$20,100 | \$23,400 | \$425,700 |

MAINTENANCE SUMMARY:

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

|  |  | ROUTINE WORK |         |          | PROGRAM WORK |          |        | LINE TOTAL |             |
|--|--|--------------|---------|----------|--------------|----------|--------|------------|-------------|
|  |  | RDWY         | BRIDGE  | SIGNAL   | RDWY         | BRIDGE   | SIGNAL | TOTAL      | TOTAL       |
|  |  | \$175,900    | \$8,000 | \$12,000 | \$899,600    | \$18,000 | \$0    | \$917,600  | \$1,113,500 |
|  |  | \$17,590     | \$800   | \$1,200  | \$89,960     | \$1,800  | \$0    | \$91,760   | \$111,350   |
|  |  | \$3,376      | \$154   | \$230    | \$17,267     | \$345    | \$0    | \$17,612   | \$21,372    |



Winston-Salem Southbound Railway

**Surface Transportation Board Docket No. AB 149 (Sub-No. 2X)**  
**Winston Salem Southbound Railway Company**  
**Pro Forma Income Statement**  
**Proposed Abandonment of Operating Rights**  
**Whitney, NC to Badin, NC -- Milepost WF 5.90 to Milepost WF 11.11**

Railway operating revenues and expenses\* for operation between Whitney and Badin, NC.

|                                                                                                                     | <u>BASE</u><br><u>YEAR 1/</u> | <u>FORECAST</u><br><u>YEAR 2/</u> |
|---------------------------------------------------------------------------------------------------------------------|-------------------------------|-----------------------------------|
| <b>CARLOADS:</b>                                                                                                    |                               |                                   |
| 1 Switching traffic on branch                                                                                       | 285                           | 285                               |
| <b>REVENUES ATTRIBUTABLE FOR:</b>                                                                                   |                               |                                   |
| 1 Freight Originating and/or Terminating on branch                                                                  | 0                             | 0                                 |
| 2 Switching Traffic                                                                                                 | \$ 43,595                     | \$ 45,221                         |
| 3 All other Revenue and Income                                                                                      | 0                             | 0                                 |
| 4 TOTAL ATTRIBUTABLE REVENUE (Lines 1 through 3) (a)                                                                | \$ 43,595                     | \$ 45,221                         |
| <b>AVOIDABLE COSTS FOR:</b>                                                                                         |                               |                                   |
| 5 ON-BRANCH AND OFF-BRANCH COSTS:                                                                                   |                               |                                   |
| a. Way and Structures (b)                                                                                           | \$ 111,350                    | \$ 115,502                        |
| b. Equipment (c)                                                                                                    | 6,599                         | 6,846                             |
| c. Transportation (d)                                                                                               | 116,740                       | 121,091                           |
| d. General and Administrative                                                                                       | 0                             | 0                                 |
| e. Deadheading, Taxi and Hotel                                                                                      | 0                             | 0                                 |
| f. Overhead Movement                                                                                                | 38,391                        | 39,823                            |
| g. Freight Car Costs (Other Than Return)                                                                            | 0                             | 0                                 |
| h. Return on Value - Locomotives                                                                                    | 0                             | 0                                 |
| i. Return on Value - Freight Cars                                                                                   | 0                             | 0                                 |
| j. Revenue Taxes                                                                                                    | 0                             | 0                                 |
| k. Property Taxes                                                                                                   | 0                             | 0                                 |
| l. TOTAL (Lines 5a through 5k)                                                                                      | \$ 273,080                    | \$ 283,262                        |
| m. Holding Gain (Loss) - Locomotives                                                                                | 0                             | 0                                 |
| n. Holding Gain (Loss) - Freight Cars                                                                               | 0                             | 0                                 |
| o. NET ON-BRANCH AND OFF-BRANCH COSTS (Lines 5l - (5m + 5n))                                                        | \$ 273,080                    | \$ 283,262                        |
| 7 TOTAL AVOIDABLE COSTS (Lines 5o + 6d)                                                                             | \$ 273,080                    | \$ 283,262                        |
| SUMMARY OF AVOIDABLE COSTS:                                                                                         |                               |                                   |
| a. ON-BRANCH COSTS                                                                                                  | \$ 150,221                    | \$ 155,822                        |
| b. OFF-BRANCH COSTS:                                                                                                | 122,860                       | 127,441                           |
| TOTAL                                                                                                               | \$ 273,080                    | \$ 283,263                        |
| <b>SUBSIDIZATION COSTS FOR:</b>                                                                                     |                               |                                   |
| 8 Rehabilitation                                                                                                    |                               | \$ -                              |
| 9 Administrative Costs (Subsidy Year only) (See Note 1)                                                             |                               | 0                                 |
| 10 Casualty Reserve Account (See Note 1)                                                                            |                               | 0                                 |
| 11 TOTAL SUBSIDIZATION COST (Lines 8 through 10)                                                                    |                               | \$ -                              |
| 12 Valuation of road properties (See Note 2)                                                                        |                               |                                   |
| a. Working Capital                                                                                                  |                               | \$ 6,389                          |
| b. Income Tax Consequences                                                                                          |                               | 0                                 |
| c. Net Liquidation Value                                                                                            |                               | 0                                 |
| d. TOTAL (Lines 12a through 12c)                                                                                    |                               | \$ 6,389                          |
| 13 Nominal Rate of Return (See Note 3)                                                                              |                               | 14.87%                            |
| 14 Nominal Return on Value (Line 12d x Line 13)                                                                     |                               | \$ 950                            |
| 15 Holding gain (Loss) on road properties (See Note 4)                                                              |                               | 0                                 |
| 16 TOTAL RETURN ON VALUE (Line 14 - Line 15)                                                                        |                               | \$ 950                            |
| 17 AVOIDABLE LCSS (PROFIT) FROM OPERATIONS (Line 7 - Line 4)                                                        | \$ 229,485                    | \$ 238,041                        |
| 18 AVOIDABLE LCSS (PROFIT) INCLUDING RETURN ON VALUE (Line 7 - Line 4 + Line 16)                                    |                               | \$ 238,991                        |
| 19 AVOIDABLE LCSS (PROFIT) INCLUDING SUBSIDIZATION COSTS & RETURN ON VALUE<br>(Line 7 - Line 4 + Line 11 + Line 16) |                               | \$ 238,991                        |

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

1. October 2004 - September 2005 is the Base Year.

2. March 2006 - February 2007 is the Forecast Year. Subsidy Year figures are the same as for the Forecast Year.

Surface Transportation Board Docket No. AB 149 (Sub-No. 2X)

Winston-Salem Southbound Railway Company

Pro Forma Income Statement

Whitney to Badin, NC MP WF 5.90 to WF 11.11

- (a) Base year attributable branch traffic and revenues are based on two-hundred eighty-five (285) carloads of switch traffic. Forecast year attributable traffic and revenue are for the same traffic. Forecast year revenues are derived from the base year revenues by indexing them to the Gross Domestic Product (GDP) Implicit Price Deflator, Seasonally Adjusted (Quarterly Series, 2000=100), using Forecast Year predicted values provided by Global Insight. The Base Year to Forecast Year adjustment factor thus produced is 3.73%.
- (b) Normalized annual Way and Structures (WS) expenses to provide service on the branch line from Whitney, NC, Milepost WF 5.90, to Badin, NC, Milepost WF 11.11, at the FRA Class I track and safety standards for the base year would be \$111,350. WS expenses for the WSSB to operate on the branch for the forecast year would be \$115,502, derived from the base year expense adjusted using the GDP deflator as described in (a).
- (c) Equipment includes repairs and maintenance of locomotives, totaling \$5,854 for the base year and \$6,073 for the forecast year, which is calculated in accordance with provisions of 49 C.F.R. §1152.33(b)(1), and fringe benefits, totaling \$745 for the base year and \$773 for the forecast year, which is calculated in accordance with provisions of 49 C.F.R. §1152.33(b)(3), totaling \$6,599 for the base year and \$6,846 for the forecast year.
- (d) Base year transportation expenses are train and engine crew labor, totaling \$76,393 (including fringe benefits), train inspection and lubrication, totaling \$411; crew materials totaling \$12, which are calculated in accordance with provisions of 49 C.F.R. §1152.33(c)(1)(i); locomotive fuel, totaling \$38,506, which is calculated in accordance with provisions of 49 C.F.R. §1152.33(c)(1)(ii); and servicing locomotives, totaling \$1,418, which is calculated in accordance with provisions of 49 C.F.R. §1152.33(c)(1)(iv), totaling \$116,740 for the base year.

Forecast year transportation expenses, which are adjusted using the GDP deflator as described in (a), include train and engine crew labor, totaling \$79,241 (including fringe benefits); train inspection and lubrication, totaling \$426; crew materials totaling \$12; locomotive fuel, totaling \$39,942; and servicing locomotives, totaling \$1,470, which is calculated in accordance with provisions of 49 C.F.R. §1152.33(c)(1)(iv), totaling \$121,091 for the forecast year.

Note 1. Omitted in accordance with provisions of Footnote 2 in 49 C.F.R. §1152.36.

Note 2. As the line segment is not owned by WSSB, the total valuation of property to WSSB is the working capital only. The working capital, 6,389, is calculated in accordance with provisions of 49 C.F.R. §1152.34(c)(1)(i).

Note 3. The nominal before tax cost of capital rate of 14.87% is based on Railroad Cost of Capital - 2004, Ex Parte No. 558 (Sub-No. 8), Service Date June 30, 2005, decided June 21, 2005.

Note 4. Holding gain (loss) on road properties is zero as the property is not owned by WSSB. The nominal return on value is \$950.

**EXHIBIT 7**

**ENVIRONMENTAL AND HISTORIC REPORTS**

**ENVIRONMENTAL REPORT  
ON  
HALLS FERRY JUNCTION TO BADIN,  
(BETWEEN MP WF 0.00 AND MP WF 11.11)  
STANLY COUNTY,  
NORTH CAROLINA**

**PROPOSED RAIL LINE**

**DISCONTINUANCE OF SERVICE  
by  
NORFOLK SOUTHERN RAILWAY COMPANY  
Halls Ferry Junction to Badin, NC  
(between WF 0.00 and WF 11.11)**

**ABANDONMENT OF OPERATING RIGHTS UNDER LEASE  
by  
YADKIN RAILROAD COMPANY  
Halls Ferry Junction to Badin, NC  
(between WF 0.0 and WF 11.11)**

**ABANDONMENT OF OPERATING RIGHTS UNDER LEASE  
by  
WINSTON-SALEM SOUTHBOUND RAILWAY  
Whitney to Badin, NC  
(between WF 5.90 and WF 11.11)**

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

03/03/05

(HFBAER.doc)

**ENVIRONMENTAL REPORT ON  
PROPOSED RAIL LINE DISCONTINUANCE OF SERVICE /  
ABANDONMENT OF OPERATING RIGHTS UNDER LEASE**

|                                       |                                                                                                                           |
|---------------------------------------|---------------------------------------------------------------------------------------------------------------------------|
| NSR Discontinuance of Service:        | 11.11 miles of track between MP WF-0.0 and MP WF-11.11 from Halls Ferry Junction to Badin, Stanly County, North Carolina. |
| YRR Abandonment of Operating Rights:  | 11.11 miles of track between MP WF-0.0 and MP WF-11.11 from Halls Ferry Junction to Badin, Stanly County, North Carolina. |
| WSSB Abandonment of Operating Rights: | 5.21 miles of track between MP WF-5.90 and MP WF-11.11 from Whitney to Badin, Stanly County, North Carolina.              |

1. PROPOSED ACTION AND ALTERNATIVES

Norfolk Southern Railway Company (hereinafter called NSR) proposes to discontinue service on 11.11 miles of rail line from Halls Ferry Junction to Badin, NC (MP WF 0.0 to MP WF 11.11). The Yadkin Railroad Company (hereinafter called YRR), a wholly owned subsidiary of NSR, proposes abandonment of its operating rights under a lease over the same 11.11 miles. Additionally, the Winston-Salem Southbound Railway Company, an affiliate of NSR, owned 50 per cent by NSR and 50 per cent by CSX Transportation, Inc., (hereinafter called WSSB), also proposes abandonment of its operating rights under a lease over the 5.21 miles of the rail line from Whitney to Badin, NC (MP WF 5.90 to MP WF 11.11). The line from MP WF 0.0 to MP WF 11.11 (Halls Ferry Junction to Badin, NC), including the right-of-way and track material, is owned by a subsidiary of the sole, active shipper on the line, Alcoa, Inc., as successor to Tallassee Power Company, the original lessor of the line, located in Badin, NC. However, NSR, YRR and the WSSB (hereinafter called 'the railroads'), as lessees or operators, are obligated to maintain the line at their own expense. A map delineating the line proposed for discontinuance/abandonment is attached as **Appendix A.**

The alternatives to discontinuance/abandonment of the entire line are:

1. to not abandon and discontinue service over the Whitney, NC to Badin, NC segment of the line, which would result in the WSSB retaining a connection to the line; or
2. to not abandon and discontinue service over the entire line.

These alternatives are not satisfactory. Revenues from the limited rail traffic of the one shipper on the line, Alcoa, Inc., in Badin, NC is insufficient to cover the costs of maintenance, rehabilitation and operation of the line or either the Halls Ferry Junction to Whitney, NC or the Whitney to Badin, NC segments of it. The railroads would incur costs from the continued maintenance and operation of the line that would need to be covered by their other customers were the line to be retained without being used for active rail freight service. If service and operating rights over the line are discontinued and abandoned, several grade crossings can be eliminated, which will benefit local traffic and reduce both railroad and public crossing maintenance costs.

NSR's letter to federal, state and local government agencies is attached as **Appendix B**. Responses to the letter or other comments received as a 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, 623 carloads moved over the line during the 12 month period from October 1, 2002 through September 30, 2003 (hereinafter called 2003); and 481 carloads moved over the line during the 12 month period October 1, 2003 through September 30, 2004 (hereinafter called 2004). Traffic diversions are discussed in more detail in paragraphs 4 and 5. The commodities moved over the line during the last two years were aluminum billets/ingots, aluminum calcine, coke and petroleum coke.

### 3. LAND USE

#### (i) Land Use Plans

The proposed discontinuance/abandonment involves 11.11 miles of rail line located in Stanly County, North Carolina. The land use along the rail line to be abandoned is 40% undeveloped, 40% lakeside, 10% agricultural, 6% industrial and 4% residential. As the railroads do not own the right-of-way from Halls Ferry Junction to Badin, NC (MP WF 0.0 to MP WF 11.11), Alcoa, Inc., the owner of the right-of-way, will decide upon any future use of the land comprising the right-of-way.

The railroads believe any impact of the proposed rail line discontinuance/abandonment on land use will be negligible. The limited traffic on the rail line proposed for discontinuance/abandonment indicates a substantial lack of rail-dependent land uses in the service area. The railroads expect that the discontinuance/abandonment will not have any significant effect on existing land use, future land use, land use plans, or the land use planning process.

#### (ii) Prime Agricultural Lands

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

#### (iii) Coastal Zone

Not Applicable

#### (iv) Alternative Public Use

The railroads do not hold fee title to the right-of-way underlying the line proposed for discontinuance/abandonment. Therefore, none of the railroads will have a contiguous corridor available for public use and no public use condition should be imposed in this proceeding.

#### 4. ENERGY

##### (i) Development and Transportation of Energy Resources

Development and transportation of energy resources will not be significantly affected by the discontinuance/abandonment. Limited freight and no passenger traffic has moved on the line proposed for discontinuance/abandonment for the past two years, including small quantities of coke and petroleum coke, used in Alcoa's manufacturing process. Therefore, compared with the past two years, the discontinuance/abandonment would have no significant effect on development and transportation of energy resources.

##### (ii) Movement/Recovery of Recyclable Commodities

Traffic moving over this line has included aluminum, a recyclable material. However, only limited freight traffic has moved on the line proposed for discontinuance/abandonment for the past two years. Therefore, the discontinuance/abandonment would have only limited effect on the movement or recovery of recyclable commodities.

##### (iii) Impact on Energy Efficiency

A limited amount of traffic has moved on the line segment proposed for discontinuance and abandonment in the past two years. In 2003, 623 carloads, containing a total of 48,356 tons of freight (an average of 78 tons per carload), were transported on the line. In 2004, 481 carloads, containing a total of 43,190 tons of freight (an average of 90 tons per carload), were transported over the line. Diversion of this traffic to highways paralleling the line proposed for discontinuance/abandonment would produce no significant energy impacts. In fact, diversion of the traffic to truck movement would result in a decrease in diesel fuel use.

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 and 6.5 miles per gallon respectively. Therefore, the weighted average of diesel fuel required annually to move the same tonnage by truck is 10,397 gallons in 2003 and 8,333 gallons in 2004.

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

- **Data – 2003:** In the 12-month period ending September 30, 2003, 623 cars were transported resulting in a total of 251 trips with the average train consisting of 2.5 carloads. At 5.7 hours per trip (including transit and switching time), this yields a total of 1,431 locomotive hours per year. One locomotive unit (2,000 HP) was used; thus, fuel consumption is 25,186 gallons (1,431 locomotive hours x 17.6 gallons per hour x 1 locomotive). Therefore, transportation by truck realizes a decrease in diesel fuel consumption of 14,788 gallons (10,397 gallons [by truck] - 25,186 gallons [by train] = -14,788 gallons).
- **Data – 2004:** In the 12-month period ending September 30, 2004, 481 cars were transported resulting in a total of 251 trips with an average train consisting of 1.9 carloads. At 5.7 hours per trip, this yields a total of 1,431 locomotive hours per year. Assuming one locomotive unit (2,000 HP) is involved, fuel consumption is 25,186 gallons (1,431 locomotive hours x 17.6 gallons per hour x 1 locomotive). Therefore, transportation by truck requires a decrease in diesel fuel consumption of 16,852 gallons (8,333 gallons [by truck] - 25,186 [by train] = -16,852 gallons).

(iv) Diversion of Traffic to Motor Carriers

The minimal traffic expected to be diverted to motor carriers in connection with the proposed discontinuance/abandonment is described in the preceding paragraph.

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. Moreover, diversion of the traffic to truck movements would result in a reduction in the use of diesel fuel.

(i) Effects on Air Emissions

Neither the State of North Carolina nor Stanly County has established analysis thresholds for air emissions. 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, the railroads do not anticipate any adverse effect on North Carolina's air quality as a result of the proposed discontinuance/abandonment.

(ii) Class I or Non-Attainment Area

Stanly County in North Carolina is in attainment for all National Ambient Air Quality Standard (NAAQS) pollutants according to the U.S. Environmental Protection Agency. Stanly County is in attainment for ozone. Therefore, no Class I or Non-Attainment areas would be affected by the proposed discontinuance/abandonment.

(iii) Ozone Depleting Materials

Not applicable. Transportation of ozone depleting materials (such as nitrogen oxide and Freon®) is not contemplated, since the proposed action

is discontinuance/abandonment; nor will this action result in the diversion of any such materials from rail to motor carriage.

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.

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

Since the railroads do not own the line or appurtenances, they will undertake no salvage operations as a result of the line's discontinuance/abandonment.

7. SAFETY

(i) Public Health and Safety

Discontinuance/abandonment of the captioned rail line will have no significant effect upon public health or safety. Moreover, the closing of six public and three private at-grade crossings on the segment to be discontinued/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 **Appendix E**.

(ii) Hazardous Materials Transport

Not applicable. Action proposed is discontinuance/abandonment.

(iii) Hazardous Waste or Hazmat Spill Sites

NSR has no knowledge of any hazardous waste sites or solid waste site on the right-of-way of the line proposed for discontinuance/abandonment or which will be affected by this discontinuance/abandonment. A search of company records was conducted and four minor incidents were noted, i.e., 1) two gallons of No. 2-D oil; 2) one gallon of diesel fuel; 3) one pint of No. 2-D oil; and, 4) one gallon of lubricating oil. An emergency response contractor was hired to clean up each release and each was disposed of in accordance with applicable regulations. Copies of each release record have been included for due diligence reporting purposes and can be found in **Appendix F** of this report.

8. BIOLOGICAL RESOURCES

(i) Endangered Species/Critical Habitat

The US Fish and Wildlife Service (USFWS) and/or the North Carolina Department of Natural Resources have indicated through correspondence and/or public records that there are 50 threatened or endangered species that may exist statewide. The complete list of these species has been included in **Appendix G** for reference. The USFWS Raleigh, NC office was contacted via telephone to notify them of the railroads' intent regarding this line and any subsequent activities that may be required in accordance with Section 7 of the Endangered Species Act. The USFWS advised that since this was an abandonment/discontinuance their past experience has shown that this was an activity that rarely impacted habitat or endangered wildlife in such a way that it would require extensive consultation by their office. Accordingly, the railroads are not aware of any critical habitat that would be destroyed or modified as a result of the proposed discontinuance/abandonment. Since none of the railroads have any ownership of the right-of-way and appurtenances associated with this

rail segment, they do not plan any salvage operations in conjunction with this discontinuance/abandonment.

(i) Sanctuaries, Refuges and Parks

Based on the site investigation and comments received from government agencies, the line segment proposed for discontinuance/abandonment does not pass through any state parks or forests, national parks or forests, or wildlife sanctuaries. Therefore, the railroads anticipate no adverse effects on any wildlife sanctuary, National Park or Forest, or State Park or Forest as a result of the abandonment and discontinuance.

9. WATER

(i) Water Quality Standards

None of the railroads plan to remove or alter the contour of the roadbed underlying the rail line to be discontinued/abandoned. Since the railroads have no plans to undertake in-stream work, or dredge and/or fill any materials in connection with the proposed discontinuance/abandonment, no water quality impacts are expected in connection with the proposed action.

(ii) Wetlands/100-Year Flood Plains

The rail line proposed for discontinuance/abandonment crosses Badin Lake and one unnamed waterway. The line proposed for discontinuance/abandonment passes through 100-year flood plains associated with these water bodies.

Because Alcoa owns the track material and structures, the railroads will not remove the existing roadbed, rails or ties as a result of this discontinuance/abandonment. Because the railroads will not alter the geometry of the roadbed and since they contemplate no in-stream work in connection with the discontinuance/abandonment, no discernible effects

on either 100-year flood plains or adjacent wetlands are expected in connection with the proposed discontinuance/abandonment. Consequently, the railroads do not believe a Section 404 permit will be required in connection with the proposed discontinuance/abandonment.

(iii) Section 402 Permit

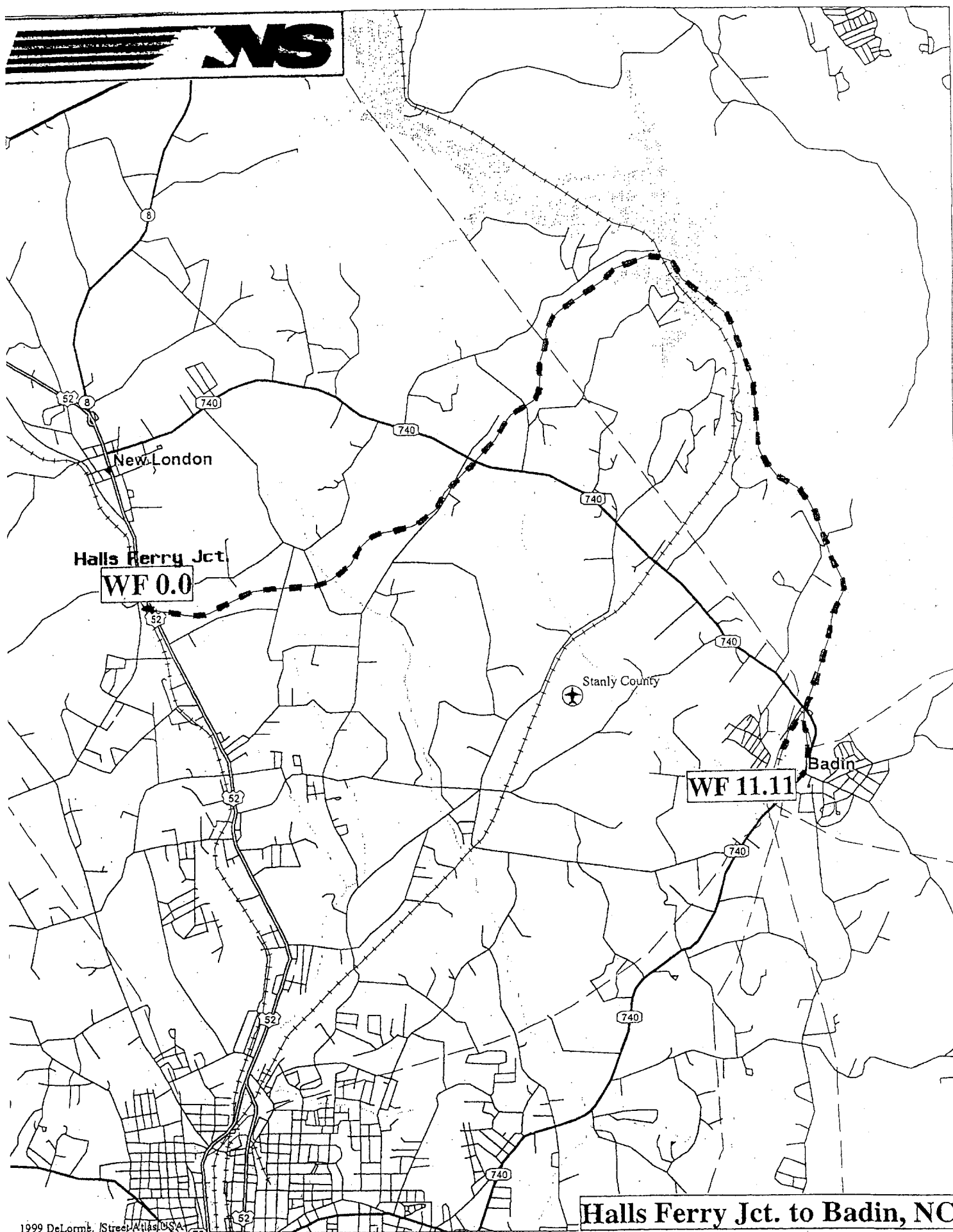
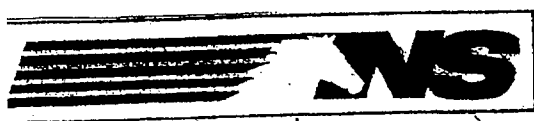
Inasmuch as the railroads do not intend to remove or alter the roadbed, rail and/or ties and structures, they do not believe that a permit under Section 402 of the Federal Water Pollution Control Act will be required.

10. PROPOSED MITIGATION

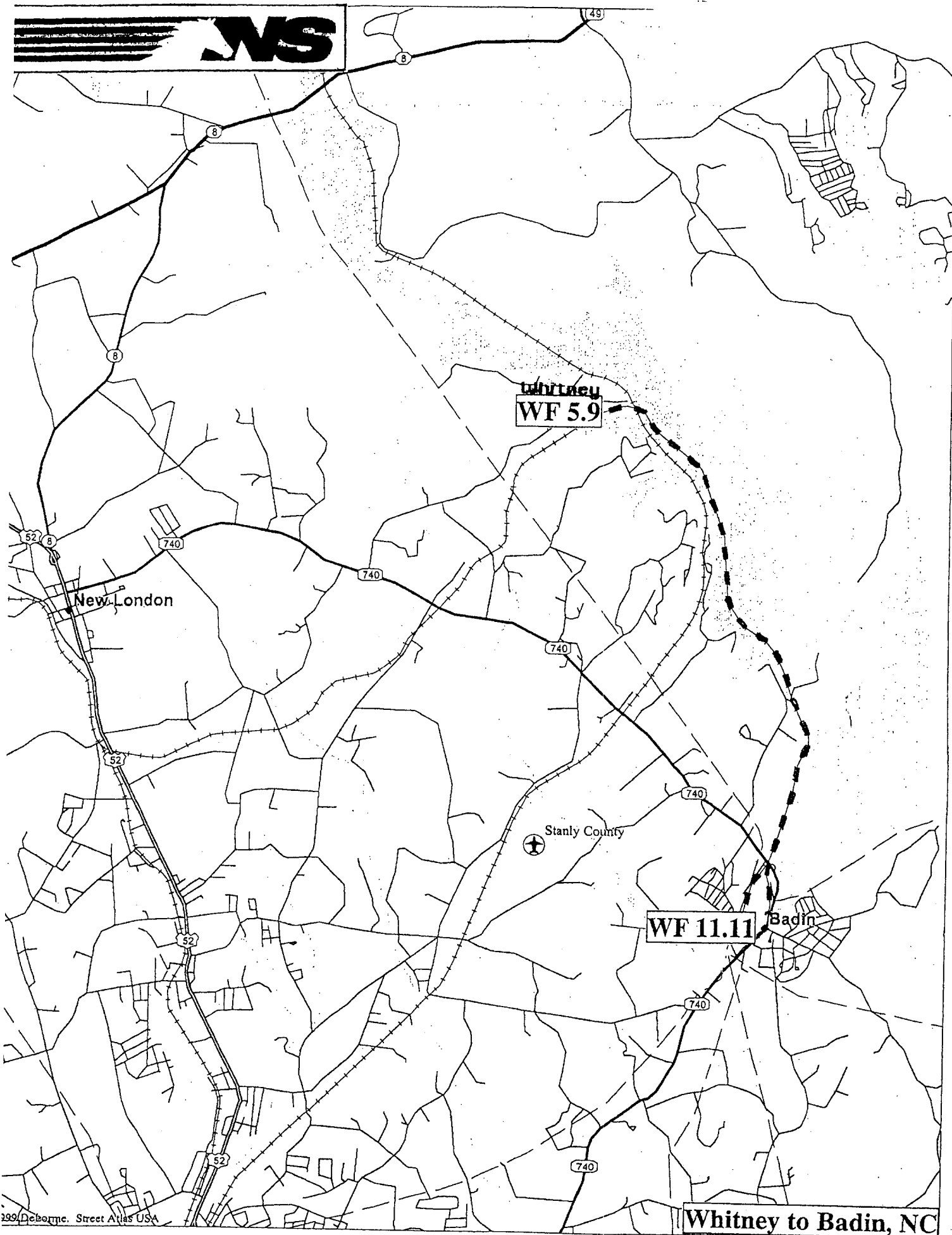
Discontinuance/abandonment of the involved rail line is not expected to produce adverse environmental impacts. No physical activity such as removal of rail, ties, and other railroad appurtenances and structures is planned by the railroads. Therefore, no mitigation measures should be required in connection with the proposed abandonment and discontinuance.

# **APPENDIX A**

## **Site Maps**



**MS**



## **APPENDIX B**

### **Agency Letter**

## RECIPIENT LIST

Proposed Discontinuance/Abandonment of the segment of rail between Milepost WF 0.00 and Milepost WF 11.11, a distance of 11.11 miles from Halls Ferry Junction to Badin, Stanly County, North Carolina.

**State Clearinghouse (or alternate):**

North Carolina State Clearinghouse  
Department of Administration  
1302 Mail Service Center  
Raleigh, NC 27699-1302

**U.S. Army Corps of Engineers:**

Wilmington District  
P. O. Box 1890  
Wilmington, NC 28402-1890

**State Environmental Protection Agency:**

Department of Environment & Health &  
Natural Resources  
P.O. Box 27687  
Raleigh, NC 27611-7687

**National Park Service:**

Regional Office  
100 Alabama Street SW  
Atlanta, GA 30303

**State Coastal Zone Management Agency**

Not Applicable

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

USDA Natural Resources Conservation Service  
675 State Office  
4405 Bland Road – Suite 205  
Raleigh, NC 27609-6293

**Head of each County:**

Stanly County Manager  
Mr. Jerry Myers  
201 South Second Street  
Albemarle, NC 28001

**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

**U. S. Fish and Wildlife:**

Mr. Dale Suiter  
Raleigh Field Office  
P. O. Box 33726  
Raleigh, NC 27636-3726

**Local Geodetic Survey Office:**

Gary W. Thompson, RLS  
Chief, NC Geodetic Survey  
Elks Building  
20323 Mail Service Center  
Raleigh, NC 27699-0323

**Environmental Protection Agency**

(Regional Office)  
Sam Nunn Atlanta Federal Center  
61 Forsyth Street, SW  
Atlanta, GA 30303-3104

**Alcoa – Materials Management**

Mr. Robert G. Uffelman  
Manager – Rail & Barge Transportation  
Riverview Tower  
900 South Gay Street, Suite 1100  
Knoxville, TN 37902

**Alcoa, Inc. – Primary Metals – Southeast Region**

Mr. Z. T. Gibson, Jr.  
EHS & Facility Manager  
Badin Words  
P. O. Box 576  
Badin, NC 28009

**CSX Transportation**

Mr. Jay Westbrook  
AVP-Passenger & Joint Facility Contracts  
500 Water Street – J315  
Jacksonville, FL 32202

**CSX Transportation**

Mr. John Booth  
Director-Joint Facility Contracts  
500 Water Street – J315  
Jacksonville, FL 32202



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

March 3, 2005

Dear Sir/Madam:

Norfolk Southern Railway Company (NSR) plans to request authority from the Surface Transportation Board (STB) to discontinue rail service on the segment of rail between Milepost WF 0.00 and Milepost WF 11.11, a distance of 11.11 miles from Halls Ferry Junction to Badin, Stanly County, North Carolina. Simultaneous with this request, the Yadkin Railroad Company (YRR) is also seeking abandonment authority on the same rail segment. Last, the Winston Salem Southbound Railway is seeking an abandonment of operating rights from Milepost WF 5.90 to Milepost WF 11.11. A map of the proposed track discontinuance/abandonment can be found in Appendix A of this Environmental Report for the Proposed Rail Line Discontinuance/Abandonment.

NSR does not anticipate any adverse environmental impacts. You may provide us with a written response that can be included in an Environmental Report, which will be sent to the STB. The preceding 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,

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

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

## **Appendix C**

### **Agency Responses**

# **Appendix D**

## **Certification of Environmental Report Recipients**



**State Clearinghouse (or alternate):**

North Carolina State Clearinghouse  
Department of Administration  
1302 Mail Service Center  
Raleigh, NC 27699-1302

**State Environmental Protection Agency:**

Department of Environment & Health &  
Natural Resources  
P.O. Box 27687  
Raleigh, NC 27611-7687

**State Coastal Zone Management Agency**

Not Applicable

**Head of each County:**

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20323 Mail Service Center  
Raleigh, NC 27699-0323

**Alcoa - Materials Management**

Mr. Robert G. Uffelman  
Manager - Rail & Barge Transportation  
Riverview Tower  
900 South Gay Street, Suite 1100  
Knoxville, TN 37902

**CSX Transportation**

Mr. Jay Westbrook  
AVP-Passenger & Joint Facility Contracts  
500 Water Street - J315  
Jacksonville, FL 32202

**U.S. Army Corps of Engineers:**

Wilmington District  
P. O. Box 1890  
Wilmington, NC 28402-1890

**National Park Service:**

Regional Office  
100 Alabama Street SW  
Atlanta, GA 30303

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

USDA Natural Resources Conservation Service  
675 State Office  
4405 Bland Road - Suite 205  
Raleigh, NC 27609-6293

**U.S. Fish and Wildlife:**

Richard B. Russell Building, Room 1200  
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Atlanta, GA 30345

**U. S. Fish and Wildlife:**

Mr. Dale Suiter  
Raleigh Field Office  
P. O. Box 33726  
Raleigh, NC 27636-3726

**Environmental Protection Agency**

**(Regional Office)**

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

**Alcoa, Inc. - Primary Metals - Southeast Region**

Mr. Z. T. Gibson, Jr.  
EHS & Facility Manager  
Badin Words  
P. O. Box 576  
Badin, NC 28009

**CSX Transportation**

Mr. John Booth  
Director-Joint Facility Contracts  
500 Water Street - J315  
Jacksonville, FL 32202

Proposed Discontinuance/Abandonment of the segment of rail line between Milepost WF 0.00 and Milepost WF 11.11, a distance of 11.11 miles, from Halls Ferry Junction to Badin, Stanly County, North Carolina.

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

03/03/05

Date

*K.R. Miller per [signature]*

K.R. Miller, Director Environmental Engineering and Audits

Effective July 1, 1916, the Yadkin Railroad Company commenced separate operations in its own name. These separate operations continued until the Yadkin Railroad's property was leased to the Carolina and Northwestern Railway Company, a wholly-owned subsidiary of Southern Railway Company, on July 1, 1951. Also in 1916, the predecessor of the Aluminum Company of America contracted the Yadkin Railroad Company to operate from Hall's Ferry, North Carolina to Whitney, North Carolina. In addition, the Yadkin Railroad Company was given joint rights with the Winston-Salem Southbound Railway to operate the line under consideration for abandonment from Whitney, North Carolina to Badin, North Carolina.

Yadkin Railroad Company abandoned 9.53 miles of line between Albemarle, NC and Norwood, NC pursuant to the Interstate Commerce Commission's decision in ICC Finance Docket No. 11987, *Yadkin Railroad Company Abandonment*, 228 I.C.C. 735 (1938).

An Act of North Carolina entitled An Act to incorporate the Carolina and Northwestern Railway Company, ratified March 11, 1895 (Private Laws of North Carolina, 1895, ch. 190, p. 306), provided for a new corporation which might purchase the property of the Chester and Lenoir Narrow Gauge Railroad Company and extend its line through the counties of Caldwell and Watauga to a point on the State line of Tennessee in the latter county. At that point, it might connect with the line of the East Tennessee and Western North Carolina Railroad Company. Carolina and Northwestern Railway Company took title to the Chester and Lenoir Narrow Gauge Railroad Company

on February 8, 1897, from purchasers of the latter company in foreclosure of the second mortgage dated July 1, 1880. Carolina and Northwestern Railway Company was also chartered in South Carolina under an Act ratified February 17, 1900.

As a prerequisite to leasing the property of the Danville and Western Railway Company, a Virginia corporation, Carolina and Northwestern Railway Company had to qualify to operate in Virginia. This was done through the mechanism of organizing the *Carolina and Northwestern Railway Company of Virginia*, chartered February 5, 1951 under the general corporation laws of Virginia, with the power of owning, leasing, and operating railroads etc. in the State of Virginia. A Joint Agreement of Merger, dated March 20, 1951, between the new Virginia Corporation and its North and South Carolina parent company was then entered into and filed with the State Corporation Commission of Virginia. This effected the incorporation of the Carolina and Northwestern Railway Company, under its original North Carolina and South Carolina charters, in the State of Virginia, and with the right to operate in Virginia as of April 23, 1951. The separate entity of the new Virginia Corporation lapsed into the parent company in the merger, effective the same date.

Southern Railway Company acquired 16,710 of the 16,963 of common stock and all 11,000 shares of preferred stock, but not the 95 shares of Common Stock Voting Trust Certificates, of the Carolina and Northwestern Railway Company under a transaction embodied in an agreement dated August 7, 1903 between The Standard Trust Company and William A. Barber, former President of the Carolina and

Northwestern Railway Company. However, Southern Railway Company did not register the Carolina and Northwestern Railway Company shares in its name until 1951. Then it did so under ICC authority granted in Finance Docket No. 17158, *Carolina & Northwestern Railway Company Control*, 282 ICC 803 (1951), June 7, 1951. Southern Railway Company acquired three additional shares of the Carolina and Northwestern Railway Common Stock in 1951 and 50 additional shares of the C&NW Common Stock on January 20, 1958.

Under ICC authority granted in Finance Docket No. 17158, *Carolina & Northwestern Railway Company Control*, 282 ICC 803 (1951), June 7, 1951, Carolina and Northwestern Railway Company entered into four leases dated July 1, 1951, until December 31, 2000, subject to termination on six months notice, providing for the combined operation only in its name of the properties. These leases included the lease of the 43.11 mile line of the Yadkin Railroad Company, between Albemarle, NC and Yadkin Junction (Salisbury) NC. The 43.11 miles of line included the 11.11 miles between Halls Ferry Junction, NC and Whitney, NC and between Whitney, NC and Badin, NC under contract from what was then Carolina Aluminum Company.

Carolina and Northwestern Railway Company merged into the old Norfolk Southern Railway Company on January 1, 1974, pursuant to ICC Finance Docket Nos. 27078, 27079.

After the consolidation of Norfolk and Western Railway Company and Norfolk Southern Railway Company as subsidiaries of Norfolk Southern Corporation in 1982, the Carolina and Northwestern Railway Company name was revived and Norfolk Southern Railway Company's name was changed to Carolina and Northwestern Railway Company.

In ICC Finance Docket No. 30432, *Yadkin Railroad Company - Exemption - Rail Line Acquisition in Stanly County, NC*, decided May 2, 1984, the ICC granted Yadkin Railroad Company an exemption for the acquisition of the 5.79 mile line segment between Hall's Ferry Jct., NC (MP WF-0.0) and Whitney, NC (MP WF 5.79). The transaction was not completed, however, and Yadkin Railroad Company continued to lease the line from Alcoa.

Carolina and Northwestern Railway Company was merged into Southern Railway Company on June 1, 1988. Thus, Southern Railway Company, soon to become Norfolk Southern Railway Company, succeeded directly to the lease of the Yadkin Railroad Company. Yadkin Railroad Company's First Mortgage dated November 7, 1890 was paid off and released in May 1995.

In STB Finance Docket No. 33951, *Norfolk Southern Railway Company - Corporate Family Transaction Exemption - Yadkin Railroad Company*, served December 12, 2000, the Surface Transportation Board served a notice of exemption covering Norfolk Southern Railway Company's renewal of its lease and operation of

approximately 30 miles of rail line owned by Yadkin Railroad Company, then a Class III rail carrier and a subsidiary of NSR, located in the State of North Carolina. The parties scheduled consummation of the transaction for a date on or before December 31, 2000. The extension of the Norfolk Southern Railway Company lease of the Yadkin Railroad Company extends the term of the lease until 2025 with an optional 25-year extension.

In 2004, Norfolk Southern Railway Company acquired the 9.6 per cent of the Yadkin Railroad Company stock that it did not own from Roane County, North Carolina. Thus, Yadkin Railroad Company recently became a wholly-owned subsidiary of Norfolk Southern Railway Company.

All of the common stock of Winston-Salem Southbound Railway Company is held in equal amounts by CSX Transportation, Inc., and Norfolk Southern Railway Company but WSSB is independently operated.

Winston-Salem Southbound Railway Company was incorporated under a special act of the General Assembly of the State of North Carolina, January 31, 1905. The carrier was organized and the charter was dated February 13, 1905. The charter was amended several times thereafter. Norfolk and Western Railway Company, a predecessor of Norfolk Southern Railway Company, and Atlantic Cost Line Railroad Company, a predecessor of CSX Transportation, Inc., were the proprietor companies and, in July 1909, those companies agreed to finance the construction after two previous abortive attempts to have the line constructed.

The 49 miles of Winston-Salem Southbound Railway Company line between Winston-Salem, NC and Whitney, NC opened on December 17, 1910, and the remaining 38.70 miles of line between Whitney, NC and Wadesboro, NC opened on March 6, 1911. The 2.30-mile Tar Branch, connecting the original line with industries at Winston-Salem, NC, was constructed in 1912-1913. The WSSB used 9,628 feet of ACL main line plus certain yard tracks and the station at Wadesboro, NC and the Southern Railway Company passenger station and 2.85 miles of Norfolk and Western Railway tracks at Winston-Salem, NC.

The Winston-Salem Southbound Railway Company owns approximately 87.7 miles of main track between Winston-Salem, NC and Wadesboro, NC; and has rights to operate over approximately 11 miles of line under contract or trackage rights, including the portion of the subject line between Whitney, NC and Badin, NC. Winston-Salem Southbound Railway Company connects with NSR at Winston-Salem and CSXT at Wadesboro. A great historical overview of this railroad can be found in *The Winston-Salem Southbound Railway* (s.n.] (1981), written by Jeff Miller and Jim Vaughn.

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 shown 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 and Western Railway Company's predecessor, Norfolk and Western Railroad Company, was sold at foreclosure September 15, 1896 and conveyed to Norfolk and Western Railway Company, October 1, 1896. Norfolk, Lynchburg and Durham Railroad Company conveyed the property of the Lynchburg and Durham Railroad Company that it had purchased at foreclosure September 16 or 24, 1896 to Norfolk and Western Railway Company on October 6, 1896. Norfolk, Roanoke and Southern Railroad Company conveyed the property of Roanoke and Southern Railway Company (124 miles of line between Roanoke, VA and Winston-Salem, NC) that it purchased at foreclosure November 24, 1896, together with its rights and franchises, to Norfolk and Western Railway Company on December 2, 1896.

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.

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.

In October 1996, Norfolk and Western Railway Company paid the outstanding bonds issued under the Norfolk and Western Railway Company First Consolidated Mortgage of October 22, 1896, payable October 1, 1996. The mortgage trustee, Bankers Trust Company, delivered a Release, Satisfaction and Discharge to Norfolk and Western Railway Company on January 31, 1997. All Norfolk and Western Railway Company properties then became free of any system mortgage.

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 Norfolk Southern Railway Company, 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"); 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*, and 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 are 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. As a result of the Conrail Transaction, Norfolk Southern Railway Company's rail operations grew to include some 7,200 miles of the Conrail system (predominately the former Pennsylvania Railroad), creating balanced rail transportation in the East to benefit customers and communities alike.

In STB Finance Docket No. 33788, *Norfolk Southern Railway Company--Trackage Rights Exemption--Over North Carolina Railroad Company*, served August 27, 1999, the Surface Transportation Board approved North Carolina Railroad Company's (NCRR) agreement to grant to NSR exclusive local and overhead freight

trackage rights over its entire line of railroad between Charlotte and Morehead City, NC. The line extends between mileposts EC-0.0+/- and EC-94.7+/-; mileposts H-0.0+/- and H-129.5+/-; and mileposts 284.0+/- and 376.5+/-, a distance of approximately 317.2 miles in Alamance, Cabarrus, Carteret, Craven, Davidson, Durham, Guilford, Johnston, Jones, Lenoir, Mecklenburg, Orange, Randolph, Rowan, Wake, and Wayne Counties, NC. Under the agreement, NSR is permitted to grant trackage rights to its subsidiaries. NSR or its predecessors had leased and operated the NCRR property since 1871 when the NCRR line between Goldsboro, NC and Charlotte, NC was leased to The Richmond and Danville Railroad Company. Pursuant to a notice of exemption in STB Finance Docket No. 34396, *Norfolk Southern Railway Company – Corporate Family Transaction Exemption – Atlantic and East Carolina Railway Company*, served October 28, 2003; Norfolk Southern Railway Company (NSR) merged Atlantic and East Carolina Railway Company (AEC) into NSR. NSR thus succeeded to the trackage rights over the portion of NCRR's line between Goldsboro, NC, and Morehead City, NC, which was once the property of the former Atlantic and North Carolina Railway Company subsidiary of the North Carolina Railroad Company.

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.

Stanley County was formed in 1841 from the part of Montgomery County west of the Pee Dee River. It was named for John Stanly of New Bern (1774-1834), who served several terms in the North Carolina House of Commons and two terms in the United States House of Representatives. Stanley County is home to Morrow Mountain State Park, part of the Uwharrie Mountain range, and two lakes, Lake Tillery and Badin Lake.

Badin Lake located near Badin, North Carolina facilitates a power plant which was originally developed to support a small community and aluminum reduction plant established in 1913 by a French industrialist, Adrian Badin. He established the community as a company town for his reduction plant, a subsidiary of L'Aluminum Francaise. In 1915, prior to project completion, WWI began and the French firm sold the dam and town project to Aluminum Corporation of America (Alcoa), today's current owner. In 1916, a subsidiary of Alcoa, the Tallassee Power Company, began completion of the Narrows Dam project, which was finally done in 1917. The power

plant and community were the driving factors of the growth and the development of the railroad in this locality.

Several books have been written about the history of Stanly County, North Carolina, and are available in the Stanly County library, including Sharpe, Ivey Lawrence, *Stanly County USA: The Story of an Area and an Era, 1841-1991*, Media Press, Inc., 1990, 335 p.; *Stanly County Heritage North Carolina Volume I*, published by the Stanly County Historical Book Committee, 2002, 375 p.; Stanly County (N.C.), *Historic Sites Inventory: A Comprehensive Survey of Stanly County, N. C.*, 1977, 99 p.; Foglia, Virginia Stone., *Albemarle, Stanly County Centennial, 1857-1957: The Bridge*, *From Yesterday--Into Tomorrow, May 11-18, 1957*, 100 p.; and, Buchanan, D. Douglas *Images of America: Stanly County*, Arcadia Publishing, 2000, 128 p.

The change contemplated in the operation of the subject railroad line between Halls Ferry Junction, NC and Whitney, NC and between Whitney, NC and Badin, NC is that Norfolk Southern Railway Company, Yadkin Railroad Company and Winston-Salem Southbound Railway Company discontinue operations over and abandon their interests in the subject line of railroad, which can no longer be maintained and operated at a profit. Inasmuch as the right-of-way and track and material are owned by Alcoa, Inc., Alcoa will undertake any disposition to be made of that right-of-way and track and material.

## **Summary of Documents in Carrier's Possession that Might be Useful for Documenting a Structure that is Found to be Historic**

As Alcoa's predecessor arranged for this rail line to be built and as Alcoa is the active owner of the right of way, track and materials, NSR is not aware of the availability of plans for the structures on the line.

## **Opinion Regarding Criteria for Listing in the National Register of Historic Places**

NSR does not own the right of way, track or materials associated with the line from Whitney, North Carolina to Badin, North Carolina and will not have control over the outcome of structures or places which currently exist along the line. The line passes through mostly undeveloped or lakeside areas, with some parts of the line passing through agricultural, residential, or industrial areas.

## **Subsurface Ground Conditions that Might Affect Archaeological Recovery**

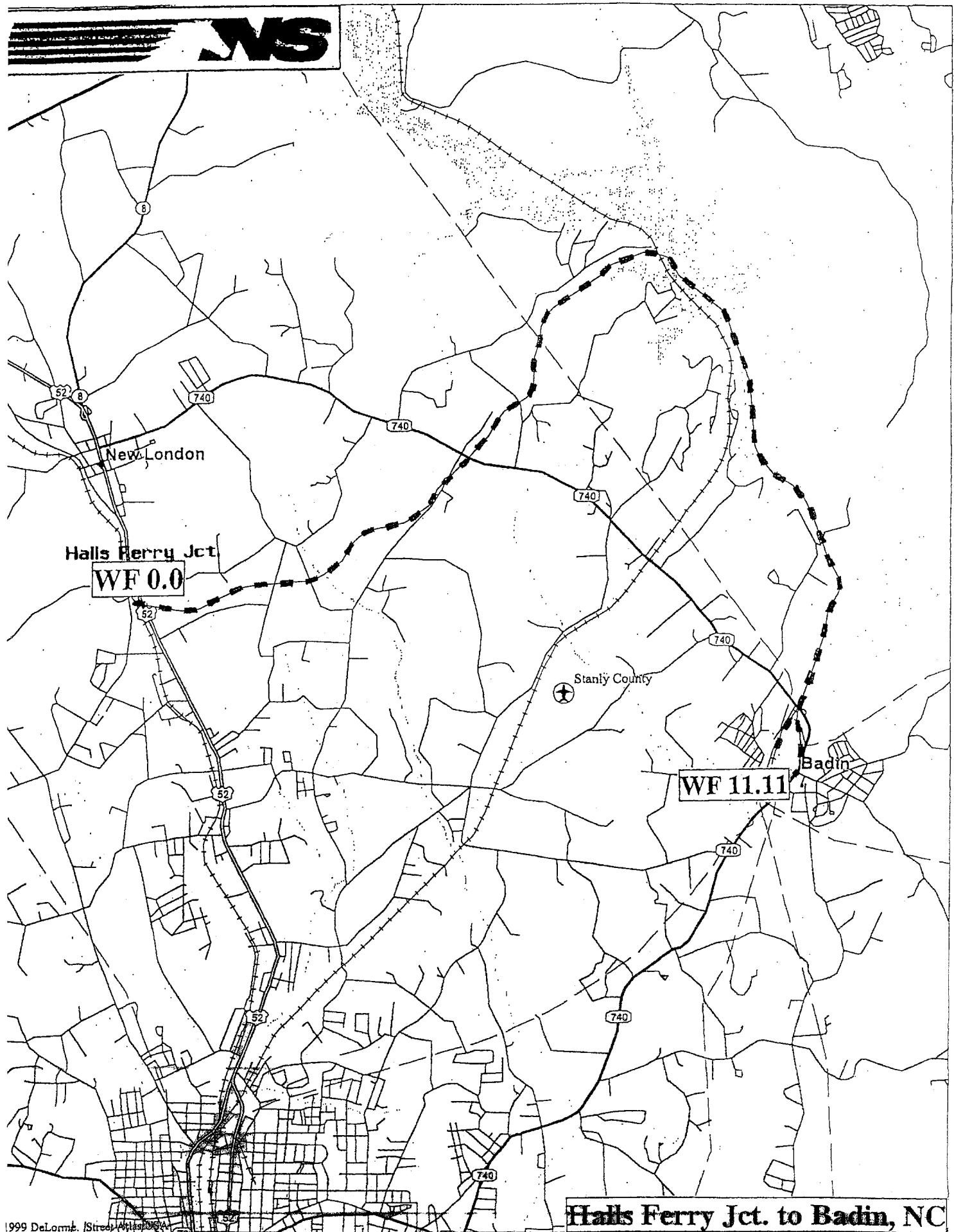
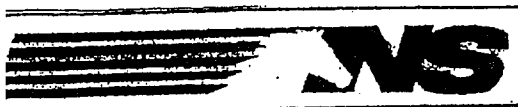
NSR is not aware of any prior subsurface ground disturbances or environmental conditions that would affect archaeological recovery. In addition, NSR does not own the right of way, track or materials and will not take part in any salvage activities.

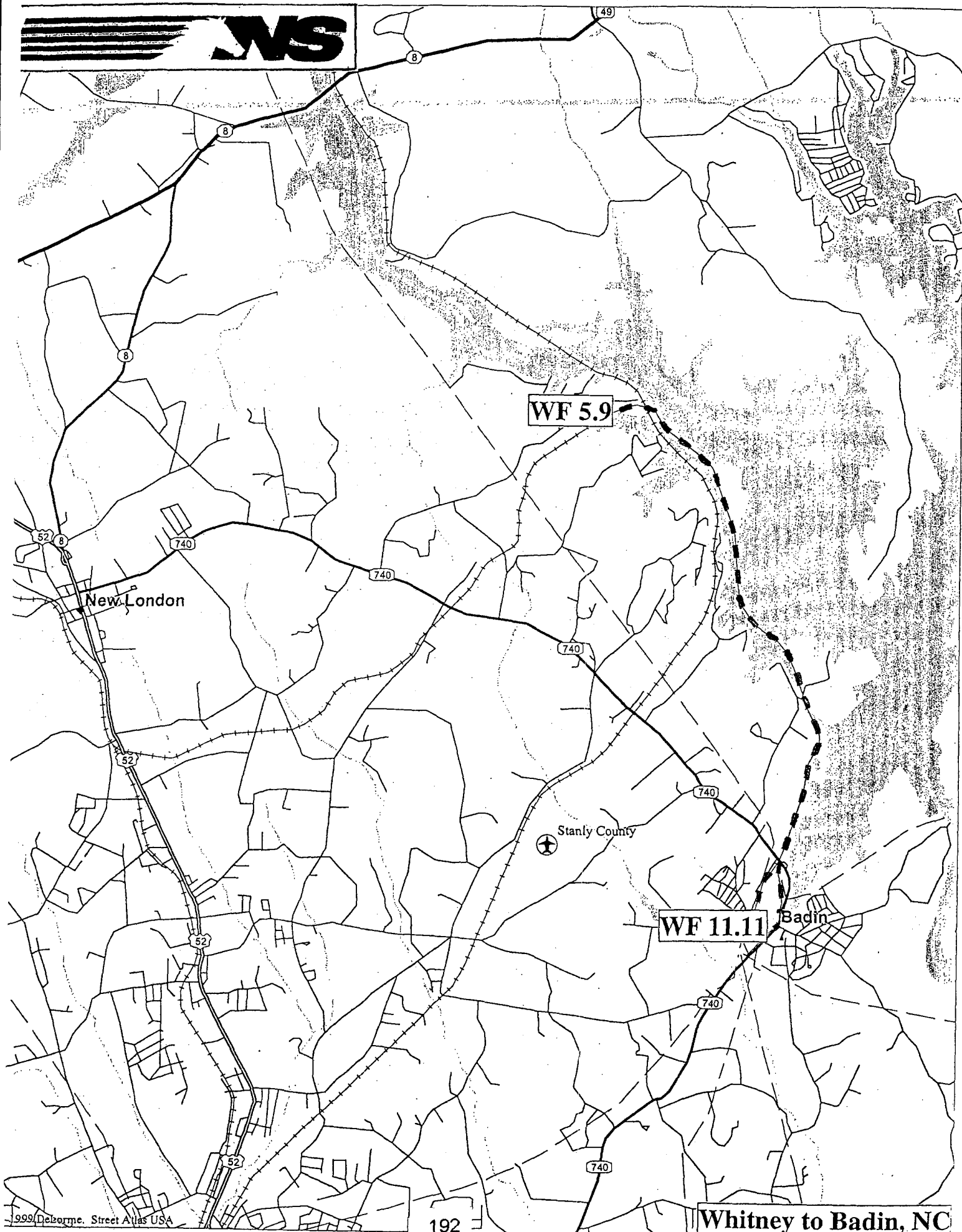
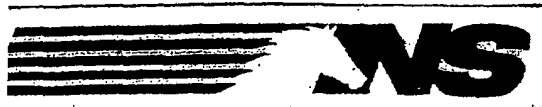
## **Follow-Up Information**

NSR will provide any relevant and available additional information as required or appropriate.

# Appendix A

## Maps





# Appendix B

## Bridge List

NORFOLK SOUTHERN CORPORATION  
BRIDGES AND STRUCTURES DEPARTMENT  
BRIDGE LISTING

DATE RUN: 10/27/03  
PAGE 87

SHORT DIVISION

| NAME OF<br>CROSSING | NO OF<br>SPANS | STRUCTURE       | DESCRIPTION | DECK    | LENGTH | TOTAL<br>LENGTH | DATE<br>BLT | MAX<br>HF | ALICH NO<br>OG RV | TK<br>TKS TO STATION | TK<br>TKS TO STATION | DOY<br>ST NO    | FILE<br>MO | OLD<br>BR NO | REMARKS |
|---------------------|----------------|-----------------|-------------|---------|--------|-----------------|-------------|-----------|-------------------|----------------------|----------------------|-----------------|------------|--------------|---------|
| F-0.50 WATERWAY     | 1              | CONC ARCH       |             | BALLAST |        | 12.00           |             | 25.0      | T                 | I                    | M                    | HALLS FERRY JCT | KC         |              | 117-    |
| F-1.70 WATERWAY     | 1              | CONC ARCH       |             | BALLAST |        | 12.00           |             | 25.0      | T                 | I                    | M                    | HALLS FERRY JCT | KC         |              | 117-    |
| F-1.90 WATERWAY     | 1              | CONC ARCH       |             | BALLAST |        | 10.00           |             | 12.0      | T                 | I                    | M                    | HALLS FERRY JCT | KC         |              | 117-    |
| F-2.10 WATERWAY     | 1              | TIMBER STRINGER |             | OPEN    |        | 11.00           |             | 7.0       | R                 | 3                    | 15                   | I               | ISENHOUR   | KC           | 117-    |

# Appendix C

## Photographs



Norfolk Southern Corporation  
Three Commercial Place  
Norfolk, Virginia 23510-2191

Marcellus C. Kirchner  
Director Strategic Planning  
(757) 629-2679  
(757) 823-5807 FAX

November 8, 2005

Dr. Jeffrey J. Crow, SHPO  
Division of Archives & History  
4610 Mail Service Center  
Raleigh, NC 27699-4610

RE: Docket No AB-290 (Sub-No. 254X), Norfolk Southern Railway Company  
Abandonment – from Halls Ferry, North Carolina to Badin, North Carolina

Dear Dr. Crow:

Norfolk Southern soon expects to file with the Surface Transportation Board a Notice of Exemption seeking authority to discontinue service over 11.11 miles of rail line between Halls Ferry Junction, North Carolina (Milepost WF 0.0) and Badin, North Carolina (Milepost WF 11.11) in Stanly County, North Carolina.. Enclosed is a Historic Report describing the proposed action and any expected historic effects, as well as a map of the affected area, topographical maps and a bridge information list.

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 us) would be appreciated as soon as possible. Please refer your comments to Donna Braun by email at [donna.braun@nscorp.com](mailto:donna.braun@nscorp.com) or by mail to:

Donna Braun  
Norfolk Southern Railway Company  
3 Commercial Place  
12<sup>th</sup> Floor – Strategic Planning  
Norfolk, VA 23510

Effective July 1, 1916, the Yadkin Railroad Company commenced separate operations in its own name. These separate operations continued until the Yadkin Railroad's property was leased to the Carolina and Northwestern Railway Company, a wholly-owned subsidiary of Southern Railway Company, on July 1, 1951. Also in 1916, the predecessor of the Aluminum Company of America contracted the Yadkin Railroad Company to operate from Hall's Ferry, North Carolina to Whitney, North Carolina. In addition, the Yadkin Railroad Company was given joint rights with the Winston-Salem Southbound Railway to operate the line under consideration for abandonment from Whitney, North Carolina to Badin, North Carolina.

Yadkin Railroad Company abandoned 9.53 miles of line between Albemarle, NC and Norwood, NC pursuant to the Interstate Commerce Commission's decision in ICC Finance Docket No. 11987, *Yadkin Railroad Company Abandonment*, 228 I.C.C. 735 (1938).

An Act of North Carolina entitled An Act to incorporate the Carolina and Northwestern Railway Company, ratified March 11, 1895 (Private Laws of North Carolina, 1895, ch. 190, p. 306), provided for a new corporation which might purchase the property of the Chester and Lenoir Narrow Gauge Railroad Company and extend its line through the counties of Caldwell and Watauga to a point on the State line of Tennessee in the latter county. At that point, it might connect with the line of the East Tennessee and Western North Carolina Railroad Company. Carolina and Northwestern Railway Company took title to the Chester and Lenoir Narrow Gauge Railroad Company

on February 8, 1897, from purchasers of the latter company in foreclosure of the second mortgage dated July 1, 1880. Carolina and Northwestern Railway Company was also chartered in South Carolina under an Act ratified February 17, 1900.

As a prerequisite to leasing the property of the Danville and Western Railway Company, a Virginia corporation, Carolina and Northwestern Railway Company had to qualify to operate in Virginia. This was done through the mechanism of organizing the *Carolina and Northwestern Railway Company of Virginia*, chartered February 5, 1951 under the general corporation laws of Virginia, with the power of owning, leasing, and operating railroads etc. in the State of Virginia. A Joint Agreement of Merger, dated March 20, 1951, between the new Virginia Corporation and its North and South Carolina parent company was then entered into and filed with the State Corporation Commission of Virginia. This effected the incorporation of the Carolina and Northwestern Railway Company, under its original North Carolina and South Carolina charters, in the State of Virginia, and with the right to operate in Virginia as of April 23, 1951. The separate entity of the new Virginia Corporation lapsed into the parent company in the merger, effective the same date.

Southern Railway Company acquired 16,710 of the 16,963 of common stock and all 11,000 shares of preferred stock, but not the 95 shares of Common Stock Voting Trust Certificates, of the Carolina and Northwestern Railway Company under a transaction embodied in an agreement dated August 7, 1903 between The Standard Trust Company and William A. Barber, former President of the Carolina and

Northwestern Railway Company. However, Southern Railway Company did not register the Carolina and Northwestern Railway Company shares in its name until 1951. Then it did so under ICC authority granted in Finance Docket No. 17158, *Carolina & Northwestern Railway Company Control*, 282 ICC 803 (1951), June 7, 1951. Southern Railway Company acquired three additional shares of the Carolina and Northwestern Railway Common Stock in 1951 and 50 additional shares of the C&NW Common Stock on January 20, 1958.

Under ICC authority granted in Finance Docket No. 17158, *Carolina & Northwestern Railway Company Control*, 282 ICC 803 (1951), June 7, 1951, Carolina and Northwestern Railway Company entered into four leases dated July 1, 1951, until December 31, 2000, subject to termination on six months notice, providing for the combined operation only in its name of the properties. These leases included the lease of the 43.11 mile line of the Yadkin Railroad Company, between Albemarle, NC and Yadkin Junction (Salisbury) NC. The 43.11 miles of line included the 11.11 miles between Halls Ferry Junction, NC and Whitney, NC and between Whitney, NC and Badin, NC under contract from what was then Carolina Aluminum Company.

Carolina and Northwestern Railway Company merged into the old Norfolk Southern Railway Company on January 1, 1974, pursuant to ICC Finance Docket Nos. 27078, 27079.

After the consolidation of Norfolk and Western Railway Company and Norfolk Southern Railway Company as subsidiaries of Norfolk Southern Corporation in 1982, the Carolina and Northwestern Railway Company name was revived and Norfolk Southern Railway Company's name was changed to Carolina and Northwestern Railway Company.

In ICC Finance Docket No. 30432, *Yadkin Railroad Company - Exemption - Rail Line Acquisition in Stanly County, NC*, decided May 2, 1984, the ICC granted Yadkin Railroad Company an exemption for the acquisition of the 5.79 mile line segment between Hall's Ferry Jct., NC (MP WF-0.0) and Whitney, NC (MP WF 5.79). The transaction was not completed, however, and Yadkin Railroad Company continued to lease the line from Alcoa.

Carolina and Northwestern Railway Company was merged into Southern Railway Company on June 1, 1988. Thus, Southern Railway Company, soon to become Norfolk Southern Railway Company, succeeded directly to the lease of the Yadkin Railroad Company. Yadkin Railroad Company's First Mortgage dated November 7, 1890 was paid off and released in May 1995.

In STB Finance Docket No. 33951, *Norfolk Southern Railway Company - Corporate Family Transaction Exemption - Yadkin Railroad Company*, served December 12, 2000, the Surface Transportation Board served a notice of exemption covering Norfolk Southern Railway Company's renewal of its lease and operation of

approximately 30 miles of rail line owned by Yadkin Railroad Company, then a Class III rail carrier and a subsidiary of NSR, located in the State of North Carolina. The parties scheduled consummation of the transaction for a date on or before December 31, 2000. The extension of the Norfolk Southern Railway Company lease of the Yadkin Railroad Company extends the term of the lease until 2025 with an optional 25-year extension.

In 2004, Norfolk Southern Railway Company acquired the 9.6 per cent of the Yadkin Railroad Company stock that it did not own from Roane County, North Carolina. Thus, Yadkin Railroad Company recently became a wholly-owned subsidiary of Norfolk Southern Railway Company.

All of the common stock of Winston-Salem Southbound Railway Company is held in equal amounts by CSX Transportation, Inc., and Norfolk Southern Railway Company but WSSB is independently operated.

Winston-Salem Southbound Railway Company was incorporated under a special act of the General Assembly of the State of North Carolina, January 31, 1905. The carrier was organized and the charter was dated February 13, 1905. The charter was amended several times thereafter. Norfolk and Western Railway Company, a predecessor of Norfolk Southern Railway Company, and Atlantic Cost Line Railroad Company, a predecessor of CSX Transportation, Inc., were the proprietor companies and, in July 1909, those companies agreed to finance the construction after two previous abortive attempts to have the line constructed.

The 49 miles of Winston-Salem Southbound Railway Company line between Winston-Salem, NC and Whitney, NC opened on December 17, 1910, and the remaining 38.70 miles of line between Whitney, NC and Wadesboro, NC opened on March 6, 1911. The 2.30-mile Tar Branch, connecting the original line with industries at Winston-Salem, NC, was constructed in 1912-1913. The WSSB used 9,628 feet of ACL main line plus certain yard tracks and the station at Wadesboro, NC and the Southern Railway Company passenger station and 2.85 miles of Norfolk and Western Railway tracks at Winston-Salem, NC.

The Winston-Salem Southbound Railway Company owns approximately 87.7 miles of main track between Winston-Salem, NC and Wadesboro, NC; and has rights to operate over approximately 11 miles of line under contract or trackage rights, including the portion of the subject line between Whitney, NC and Badin, NC. Winston-Salem Southbound Railway Company connects with NSR at Winston-Salem and CSXT at Wadesboro. A great historical overview of this railroad can be found in *The Winston-Salem Southbound Railway* (s.n.] (1981), written by Jeff Miller and Jim Vaughn.

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 shown 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 and Western Railway Company's predecessor, Norfolk and Western Railroad Company, was sold at foreclosure September 15, 1896 and conveyed to Norfolk and Western Railway Company, October 1, 1896. Norfolk, Lynchburg and Durham Railroad Company conveyed the property of the Lynchburg and Durham Railroad Company that it had purchased at foreclosure September 16 or 24, 1896 to Norfolk and Western Railway Company on October 6, 1896. Norfolk, Roanoke and Southern Railroad Company conveyed the property of Roanoke and Southern Railway Company (124 miles of line between Roanoke, VA and Winston-Salem, NC) that it purchased at foreclosure November 24, 1896, together with its rights and franchises, to Norfolk and Western Railway Company on December 2, 1896.

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.

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.

In October 1996, Norfolk and Western Railway Company paid the outstanding bonds issued under the Norfolk and Western Railway Company First Consolidated Mortgage of October 22, 1896, payable October 1, 1996. The mortgage trustee, Bankers Trust Company, delivered a Release, Satisfaction and Discharge to Norfolk and Western Railway Company on January 31, 1997. All Norfolk and Western Railway Company properties then became free of any system mortgage.

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 Norfolk Southern Railway Company, 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"); 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*, and 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 are 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. As a result of the Conrail Transaction, Norfolk Southern Railway Company's rail operations grew to include some 7,200 miles of the Conrail system (predominately the former Pennsylvania Railroad), creating balanced rail transportation in the East to benefit customers and communities alike.

In STB Finance Docket No. 33788, *Norfolk Southern Railway Company--Trackage Rights Exemption--Over North Carolina Railroad Company*, served August 27, 1999, the Surface Transportation Board approved North Carolina Railroad Company's (NCRR) agreement to grant to NSR exclusive local and overhead freight

trackage rights over its entire line of railroad between Charlotte and Morehead City, NC. The line extends between mileposts EC-0.0+/- and EC-94.7+/-; mileposts H-0.0+/- and H-129.5+/-; and mileposts 284.0+/- and 376.5+/-, a distance of approximately 317.2 miles in Alamance, Cabarrus, Carteret, Craven, Davidson, Durham, Guilford, Johnston, Jones, Lenoir, Mecklenburg, Orange, Randolph, Rowan, Wake, and Wayne Counties, NC. Under the agreement, NSR is permitted to grant trackage rights to its subsidiaries. NSR or its predecessors had leased and operated the NCRR property since 1871 when the NCRR line between Goldsboro, NC and Charlotte, NC was leased to The Richmond and Danville Railroad Company. Pursuant to a notice of exemption in STB Finance Docket No. 34396, *Norfolk Southern Railway Company – Corporate Family Transaction Exemption – Atlantic and East Carolina Railway Company*, served October 28, 2003; Norfolk Southern Railway Company (NSR) merged Atlantic and East Carolina Railway Company (AEC) into NSR. NSR thus succeeded to the trackage rights over the portion of NCRR's line between Goldsboro, NC, and Morehead City, NC, which was once the property of the former Atlantic and North Carolina Railway Company subsidiary of the North Carolina Railroad Company.

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.

Stanley County was formed in 1841 from the part of Montgomery County west of the Pee Dee River. It was named for John Stanly of New Bern (1774-1834), who served several terms in the North Carolina House of Commons and two terms in the United States House of Representatives. Stanley County is home to Morrow Mountain State Park, part of the Uwharrie Mountain range, and two lakes, Lake Tillery and Badin Lake.

Badin Lake located near Badin, North Carolina facilitates a power plant which was originally developed to support a small community and aluminum reduction plant established in 1913 by a French industrialist, Adrian Badin. He established the community as a company town for his reduction plant, a subsidiary of L'Aluminum Francaise. In 1915, prior to project completion, WWI began and the French firm sold the dam and town project to Aluminum Corporation of America (Alcoa), today's current owner. In 1916, a subsidiary of Alcoa, the Tallassee Power Company, began completion of the Narrows Dam project, which was finally done in 1917. The power

plant and community were the driving factors of the growth and the development of the railroad in this locality.

Several books have been written about the history of Stanly County, North Carolina, and are available in the Stanly County library, including Sharpe, Ivey Lawrence, *Stanly County USA: The Story of an Area and an Era, 1841-1991*, Media Press, Inc., 1990, 335 p.; *Stanly County Heritage North Carolina Volume I*, published by the Stanly County Historical Book Committee, 2002, 375 p.; Stanly County (N.C.), *Historic Sites Inventory: A Comprehensive Survey of Stanly County, N. C.*, 1977, 99 p.; Foglia, Virginia Stone., *Albemarle, Stanly County Centennial, 1857-1957: The Bridge*, *From Yesterday--Into Tomorrow, May 11-18, 1957*, 100 p.; and, Buchanan, D. Douglas *Images of America: Stanly County*, Arcadia Publishing, 2000, 128 p.

The change contemplated in the operation of the subject railroad line between Halls Ferry Junction, NC and Whitney, NC and between Whitney, NC and Badin, NC is that Norfolk Southern Railway Company, Yadkin Railroad Company and Winston-Salem Southbound Railway Company discontinue operations over and abandon their interests in the subject line of railroad, which can no longer be maintained and operated at a profit. Inasmuch as the right-of-way and track and material are owned by Alcoa, Inc., Alcoa will undertake any disposition to be made of that right-of-way and track and material.

## **Summary of Documents in Carrier's Possession that Might be Useful for Documenting a Structure that is Found to be Historic**

As Alcoa's predecessor arranged for this rail line to be built and as Alcoa is the active owner of the right of way, track and materials, NSR is not aware of the availability of plans for the structures on the line.

## **Opinion Regarding Criteria for Listing in the National Register of Historic Places**

NSR does not own the right of way, track or materials associated with the line from Whitney, North Carolina to Badin, North Carolina and will not have control over the outcome of structures or places which currently exist along the line. The line passes through mostly undeveloped or lakeside areas, with some parts of the line passing through agricultural, residential, or industrial areas.

## **Subsurface Ground Conditions that Might Affect Archaeological Recovery**

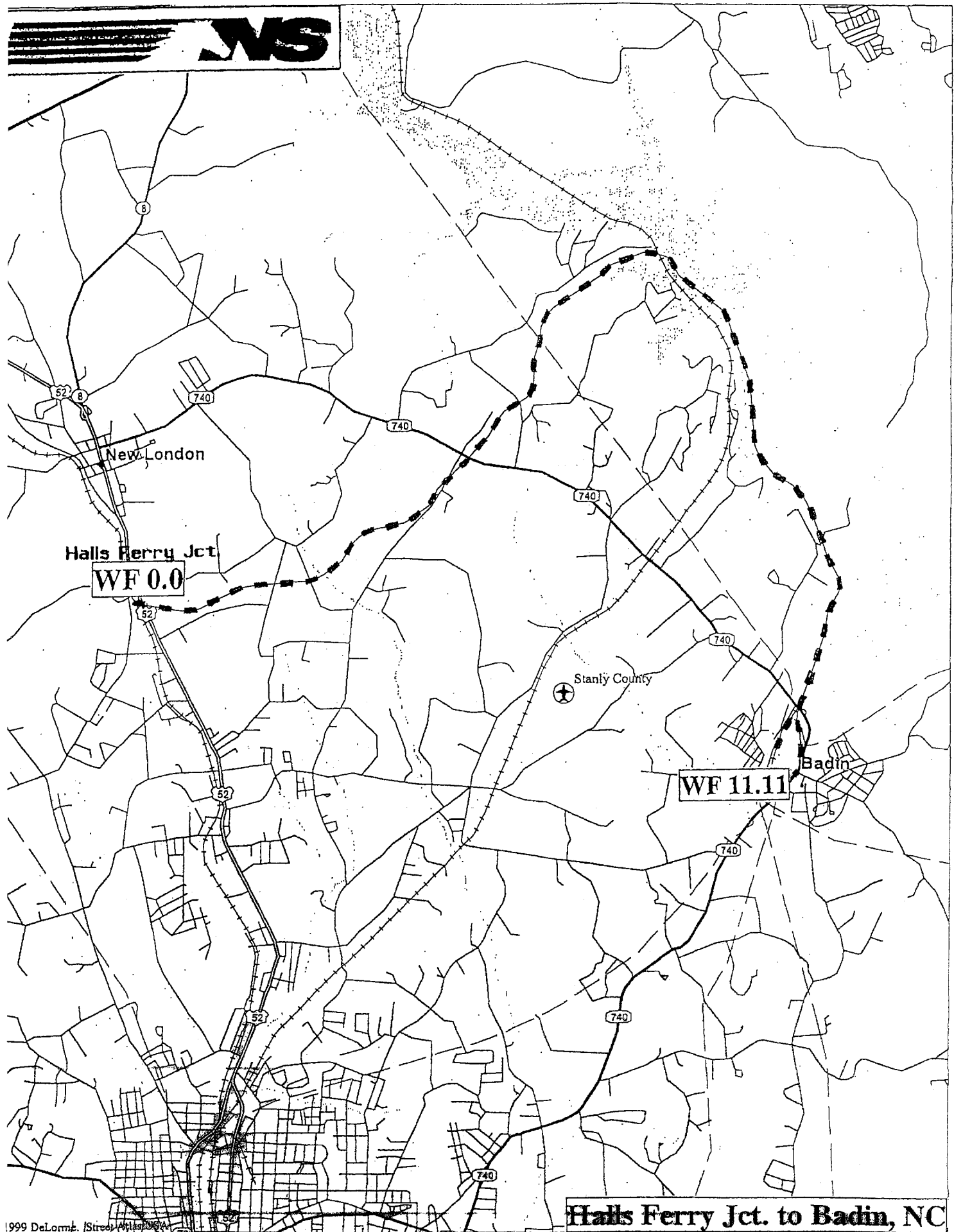
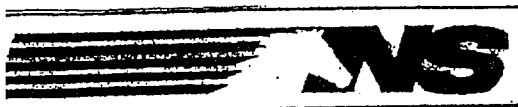
NSR is not aware of any prior subsurface ground disturbances or environmental conditions that would affect archaeological recovery. In addition, NSR does not own the right of way, track or materials and will not take part in any salvage activities.

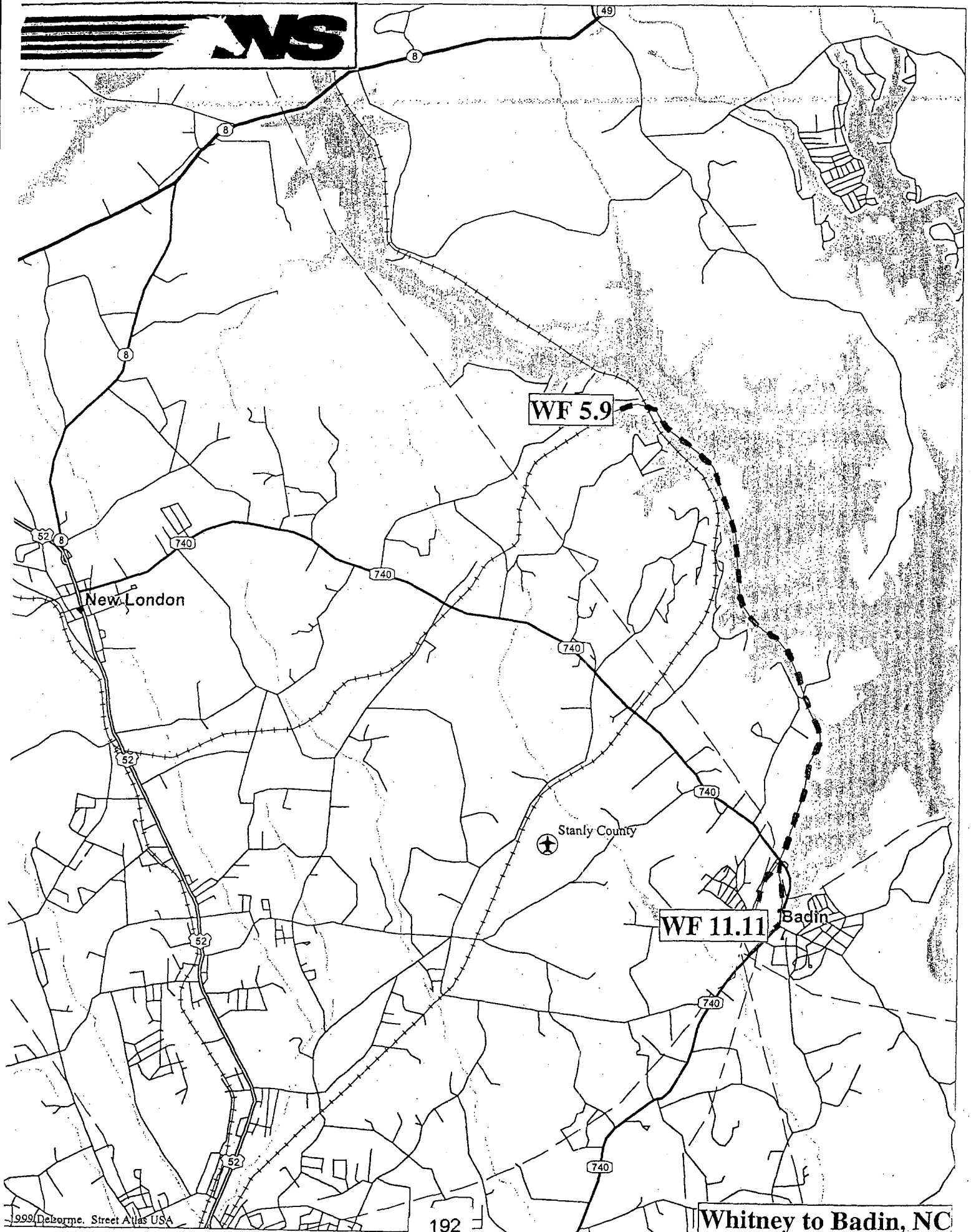
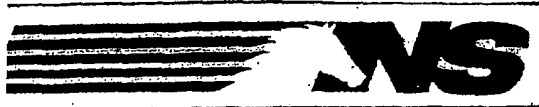
## **Follow-Up Information**

NSR will provide any relevant and available additional information as required or appropriate.

# Appendix A

## Maps





# Appendix B

## Bridge List

NORFOLK SOUTHERN CORPORATION  
BRIDGES AND STRUCTURES DEPARTMENT  
BRIDGE LISTING

DATE RUN: 10/27/03  
PAGE 87

SHORT DIVISION

| NAME OF<br>CROSSING | NO OF<br>SPANS | STRUCTURE       | DESCRIPTION | DECK    | LENGTH | TOTAL<br>LENGTH | DATE<br>BLT | MAX<br>HF | ALICH NO<br>OG RV | TK NEAREST<br>TKS TO STATION | DOT<br>ST NO | FILE<br>MO | OLD<br>BR NO | REMARKS |
|---------------------|----------------|-----------------|-------------|---------|--------|-----------------|-------------|-----------|-------------------|------------------------------|--------------|------------|--------------|---------|
| F-0.50 WATERWAY     | 1              | CONC ARCH       |             | BALLAST |        | 12.00           |             | 25.0      | T                 | I H HALLS FERRY JCT          | KC           | 117-       |              |         |
| F-1.70 WATERWAY     | 1              | CONC ARCH       |             | BALLAST |        | 12.00           |             | 25.0      | T                 | I H HALLS FERRY JCT          | KC           | 117-       |              |         |
| F-1.90 WATERWAY     | 1              | CONC ARCH       |             | BALLAST |        | 10.00           |             | 12.0      | T                 | I H HALLS FERRY JCT          | KC           | 117-       |              |         |
| F-2.10 WATERWAY     | 1              | TIMBER STRINGER |             | OPEN    |        | 11.00           |             | 7.0       | R 3 15            | I H ISENHOUR                 | KC           | 117-       |              |         |

# Appendix C

## Photographs



Norfolk Southern Corporation  
Three Commercial Place  
Norfolk, Virginia 23510-2191

Marcellus C. Kirchner  
Director Strategic Planning  
(757) 629-2679  
(757) 823-5807 FAX

November 8, 2005

Dr. Jeffrey J. Crow, SHPO  
Division of Archives & History  
4610 Mail Service Center  
Raleigh, NC 27699-4610

RE: Docket No AB-290 (Sub-No. 254X), Norfolk Southern Railway Company  
Abandonment – from Halls Ferry, North Carolina to Badin, North Carolina

Dear Dr. Crow:

Norfolk Southern soon expects to file with the Surface Transportation Board a Notice of Exemption seeking authority to discontinue service over 11.11 miles of rail line between Halls Ferry Junction, North Carolina (Milepost WF 0.0) and Badin, North Carolina (Milepost WF 11.11) in Stanly County, North Carolina.. Enclosed is a Historic Report describing the proposed action and any expected historic effects, as well as a map of the affected area, topographical maps and a bridge information list.

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 us) would be appreciated as soon as possible. Please refer your comments to Donna Braun by email at [donna.braun@nscorp.com](mailto:donna.braun@nscorp.com) or by mail to:

Donna Braun  
Norfolk Southern Railway Company  
3 Commercial Place  
12<sup>th</sup> Floor – Strategic Planning  
Norfolk, VA 23510

Page 2  
November 8, 2005

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 Ms. Braun directly as indicated above.

Sincerely,

A handwritten signature in black ink, appearing to be 'Marcellus C. Kirchner', with a stylized, flowing script.

Marcellus C. Kirchner

Enclosures

cc: James Paschall

**Historic Report  
Certificate of Service**

Pursuant to the requirements of 49 C.F.R § 1105.8(c), the undersigned hereby certifies that a copy of the Historic Report in Docket No. AB-290 (Sub-No. 254X) was mailed via first class mail on November 8, 2005 to the following party:

Dr. Jeffrey J. Crow, SHPO  
Division of Archives & History  
4610 Mail Service Center  
Raleigh, NC 27699-4610



---

Marcellus C. Kirchner  
January 19, 2006

The Stanly News & Press  
P.O. Box 488  
Albemarle NC 28002  
(704) 982-2121

## AFFIDAVIT OF INSERTION

DATE: 03/17/06

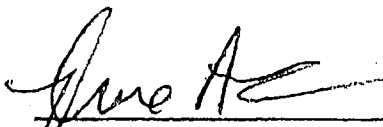
Exhibit 8

| STARTDATE    | CLASS | DESCRIPTION                                                                | WORDS | INS | CHG    |
|--------------|-------|----------------------------------------------------------------------------|-------|-----|--------|
| 01104358-000 |       | NORFOLK SOUTHERN CORPORATION<br>THREE COMMERICAL PLACE<br>NORFOLK VA 23510 |       |     |        |
| 03/14/2006   | 380   | NOTICE OF INTENT TO                                                        | 652   | 1   | 182.56 |

NORTH CAROLINA, STANLY COUNTY

## AFFIDAVIT OF PUBLICATION

Before the undersigned, a Notary Public of said County and State, duly commissioned, qualified, and authorized by law to administer oaths, personally appeared: Rex A. Maynor, who being first duly sworn, deposes and says: that he is Publisher of a newspaper known as THE STANLY NEWS AND PRESS, published, issued, and entered as second class mail in the City of Albemarle, in said County and State; that he is authorized to make this affidavit and sworn statement; that the notice or other legal advertisement, a true copy of which is attached hereto, was published in THE STANLY NEWS AND PRESS on the dates specified on the copy attached and that the said newspaper in which such notice, paper, document or legal advertisement was published was, at the time of each and every such publication, a newspaper meeting all of the requirements and qualifications of Section 1-597 of the General Statutes of North Carolina and was a qualified newspaper within the meaning of Section 1-597 of the General Statutes of North Carolina.



Rex A. Maynor  
Publisher

NOTICE OF INTENT  
TO DISCONTINUE RAIL SERVICE  
AND ABANDON OPERATING  
RIGHTS UNDER RAILROAD  
LINE LEASES.

Norfolk Southern Railway Company, Yadkin Railroad Company and Winston Salem Southbound Railway Company; give notice that on or about March 30, 2006, they intend to file with the Surface Transportation Board (STB), Washington, DC 20423, a petition for exemption under 49 U.S.C. 10502 and 49 CFR 1152 Subpart F- Exempt Abandonments, from the prior approval requirements of 49 U.S.C. 10903, permitting, as to Norfolk Southern Railroad Company, the discontinuance of rail service between milepost WF-0.00 at Halls Ferry Junction and milepost WF-11.11 at Badin, in Stanly County, North Carolina; as to Yadkin Railroad Company, the abandonment of operating rights under a lease over the line between milepost WF-0.00 at Halls Ferry Junction and milepost WF-11.11 at Badin, in Stanly County, North Carolina; and as to Winston-Salem Southbound Railway Company, the abandonment of operating rights under a lease over the line between milepost WF-5.90 at Whitney and milepost WF-11.11 at Badin, in Stanly County, North Carolina; which traverses through United States Postal Service Zip Code 28001 in Stanly County, North Carolina. The proceeding will be docketed as No. AB-280 (Sub-No 254X) as to Norfolk Southern Railway Company, No AB-290 (Sub-No 274X) as to Yadkin Railroad Company, and No. AB-149 (Sub No.2) as to Winston Salem Southbound Railway Company.

The STB's Section of Environmental Analysis generally will prepare an environmental assessment in abandonment or discontinuance proceedings which will be served upon all parties of record and upon any agencies or other persons who commented during its preparation. Any other persons who would like to obtain a copy of the EA may contact the Section of Environmental Analysis, Surface Transportation Board, 1925 K.

Sworn to at  
17th day of

SH. My commis

0001 (See 19 CFR 1104.1 (a) and 1104.3 (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, Senior General Attorney, Norfolk Southern Corporation, Three Commercial Place, Norfolk, VA 23610-9241, 757-629-2759.

lic 06

## **Alcoa Reduces Capacity; Continues To Implement Its Long-Term, Low-Cost Production Strategy**

PITTSBURGH--(BUSINESS WIRE)--July 31, 2002--Alcoa Inc. today announced a series of moves continuing implementation of its long-term, low-cost production strategy, within the context of a weak economy:

- The temporary curtailment of aluminum production at its 120,000 metric tons per year (mtpy) primary aluminum facility at Badin, North Carolina which has been operating at 90,000 mtpy since September 2000. Curtailment will begin immediately, and all production will be idled by August 16. Ingot-casting operations will continue for the next few months, but will likely end by December 31, 2002. The plant employs 377 employees in the smelting and ingot-casting operations.
- The permanent closure of capacity currently idle at its Troutdale, Oregon facility. Troutdale's entire 121,000 mtpy capacity was temporarily curtailed in June 2000.
- The permanent closure of capacity currently idle at its Rockdale, Texas facility. A total of 76,000 mtpy of Rockdale's 320,000 mtpy capacity has been idle for the past several years.
- The assets at both Troutdale and Rockdale will be dismantled.

"Our growth strategy in primary metals is based upon both moving down the cost curve while maintaining return on capital targets. As we explore projects around the world we must take a hard look at assets in the United States, where escalating energy and labor costs have made many smelters less globally competitive," said Al Renken, president of Alcoa Primary Metals. "Today's actions demonstrate that Alcoa will actively manage its assets during weak economic conditions. We regret the impact these actions will have on our employees and the communities, and we will work to make the transition as smooth as possible. Throughout the year, we will continue to explore potential adjustments - both closings and restarts - as market conditions warrant."

The cost of today's announced actions will impact third quarter 2002 earnings as a special charge of \$15 to \$20 million in after tax earnings.

Following today's adjustments, Alcoa will have 438,000 mtpy of aluminum production idled on a base capacity of 3,948,000 mtpy. The company said these actions will have no adverse impact on internal or external customers.

Alcoa is the world's leading producer of primary aluminum, fabricated aluminum and alumina, and is active in all major aspects of the industry. Alcoa serves the aerospace, automotive, packaging, building and construction, commercial transportation and industrial markets, bringing design, engineering, production and other capabilities of Alcoa's businesses to customers. In addition to aluminum products and components, Alcoa also markets consumer brands including Reynolds Wrap(R) aluminum foil, Alcoa(R) wheels, and Baco(R) household wraps. Among its other businesses are vinyl siding, closures, precision castings, and electrical distribution systems for cars and trucks. The company has 129,000 employees in 38 countries.

Alcoa (NYSE:AA)

### **Forward Looking Statement**

Certain statements in this release relate to future events and expectations and as such constitute forward-looking statements involving known and unknown risks and uncertainties that may cause actual results, performance or achievements related to this memorandum of understanding to be different from those expressed or implied in the forward-looking statements. Important factors that could cause actual results to differ materially from those in the forward-looking statements include Alcoa's inability to achieve the returns necessary to implement projects, economic or competitive factors and other risk factors summarized in Alcoa's Form 10-K for the year ended December 31, 2001.

## **Alcoa Announces Annual Income from Continuing Operations of \$1.23 Billion, or \$1.40 per share; Highest Annual Revenues in Company History**

NEW YORK--(BUSINESS WIRE)--Jan. 9, 2006--Alcoa (NYSE:AA):

### Highlights:

- Income from continuing operations of \$1.23 billion, or \$1.40 per share, for 2005;
- Annual revenues increased 13 percent to an all-time record of \$26.2 billion;
- Progress executing upstream and downstream growth projects to build share in attractive growth markets;
- Fourth quarter 2005 income from continuing operations of \$210 million, or \$0.24, including a net negative impact of \$93 million, or \$0.11;
- Strong quarterly performance in alumina and primary metals with segment ATOI improving 17 and 44 percent respectively over third quarter;
- Debt-to-capital ratio of 30.8 percent at year-end, within target range despite investments in aggressive growth strategy.

Alcoa (NYSE: AA) announced today that its 2005 income from continuing operations was \$1.23 billion, or \$1.40 per diluted share, as the company took action to partially mitigate \$878 million in impacts from raw materials, energy, and other cost inflation.

For the fourth quarter, income from continuing operations was \$210 million, or \$0.24. Profitability was eroded by negative impacts totaling \$93 million, or \$0.11, including: lowered production at refineries in Jamaica and Texas due to the Gulf Coast hurricanes; an unplanned outage at the Portland, Australia smelter; the impact of strikes on operations at Spanish plants; restructuring costs for plant closings and layoffs; mark-to-market losses on metal and metal-related activities; and integration costs for the newly acquired facilities in Russia; partially offset by a favorable legal settlement for power costs. Income from continuing operations was \$0.33 in the third quarter of 2005, and \$0.39 in the fourth quarter of 2004.

"Entering 2005, we anticipated significant pressures from rising input, energy costs and other cost inflation, but actual increases were even higher, nearly \$900 million for the year," said Alain Belda, Alcoa Chairman and CEO.

"To meet that challenge, we took aggressive action, passing through significant price increases to downstream customers, improving our mix of value-added products, continuing productivity gains, and lowering taxes. That management action helped offset cost pressures and drove the top-line to the highest level in Alcoa's 117-year history," said Belda. "In the year ahead, we don't foresee the same sharp spikes on input prices, and our initiatives will gain further momentum to offset inflation and improve the bottom line.

"As we enter 2006, the vast majority of our primary metal production will benefit from the highest metal prices in more than 15 years," Belda added. "And we are working to secure future growth in attractive markets with customers around the world."

Net income in the quarter was \$224 million, or \$0.26, compared to \$289 million, or \$0.33, in the previous quarter, and \$268 million, or \$0.30, in the fourth quarter of 2004.

Annual revenues climbed 13 percent to \$26.2 billion, the highest in the company's history. Revenues for the fourth quarter rose approximately 12 percent compared to the fourth quarter of 2004, driven by higher metal prices and strength in the aerospace market.

Balance Sheet Overview

Cash from operations in the quarter was \$1 billion, helping lower the company's debt to capital ratio to 30.8 percent at year's end, down from 31.5 percent in the third quarter. In addition to that, the company completed the sale of Southern Graphic Systems for \$408 million in cash in the quarter.

For the year, cash from operations was \$1.7 billion, including the impact of a discretionary \$300 million contribution to the company's pension plans. Annual capital expenditures were \$2.1 billion, primarily used to fund growth projects.

After excluding spending on growth projects, the company's return on capital for the year was 9.5 percent. Including those investments, the company's return on capital stood at 8.3 percent.

#### Update on Growth Projects

"We have the most aggressive growth strategy in the industry and the best growth projects around the world. We continue to achieve the highest returns in the industry, generating the cash we need to fund our growth and maintain a strong balance sheet," said Belda.

In addition to negotiations and feasibility studies underway in Trinidad, Ghana and Guinea, the company has a comprehensive array of growth projects that are moving ahead in refining, smelting and downstream, including:

#### Refining

Refining growth is focused on capturing Alcoa's unique advantage of multiple options to build low-capital cost brownfield expansions of existing low operating cost facilities:

- Alumar refinery expansion - The expansion will add 2.1 million metric tons per year ("mtpy") in capacity, bringing the low-cost refinery's total capacity to 3.5 million metric tons. Work began this quarter and the expansion is expected to be completed by the first half of 2008. This project includes creation of a bauxite mine near Juruti in Para state, which will initially produce 2.6 million mtpy of bauxite to supply the expansion.
- Pinjarra efficiency upgrade - The project will expand the low-cost Pinjarra refinery by 657,000 mtpy to more than 4.2 million mtpy. It is scheduled to be completed in the first quarter of 2006.
- Jamalco expansion - The Company's Alcoa World Alumina and Chemicals (AWAC) affiliate plans to expand the refinery in Clarendon, Jamaica by 1.5 million mtpy, more than doubling the refinery's capacity to approximately 2.8 million mtpy.

#### Smelting

Growth development work includes greenfield and brownfield smelting projects utilizing globally competitive energy sources.

- Alumar smelter expansion - The expansion will add 63,000 mtpy to 433,000 mtpy in total. Approximately 50 percent was completed in November 2005, and the remainder is scheduled to be finished by the end of the first quarter of 2006.
- Alcoa Fjarðal in Iceland - The company continued progress building its first greenfield smelter in 20 years, which is now approximately 40 percent complete. The 346,000 mtpy smelter is on-schedule to produce its first metal in April 2007.
- Mosjoen, Norway anode plant - Work to build a carbon plant together with Elkem, our partners in Norway, began in the third quarter 2004 and is expected to be completed in time to ramp-up to full production in parallel with Fjarðal in late 2007.
- Warrick, Indiana power self-generation - The company began construction work to continue its ability to self-generate power to fuel its Warrick, IN smelter and rolling mill while lowering costs through an environmental upgrade. As part of this project the company purchased the rights to mine coal in nearby Friendsville, IL.

-- Modernization of Pocos de Caldas smelter - Initial work began to upgrade this Brazilian smelter with world-class environmental controls to lower emissions and costs, and improve operational efficiency.

-- Aviles, and La Coruna, Spain Soderberg modernizations - The Aviles modernization project is approximately 40 percent complete and is scheduled to be fully operational in the second quarter of 2007. La Coruna is scheduled to be completed in the second quarter of 2008.

#### Fabricating and Downstream Growth

Growth work is underway to expand the company's position and lower its costs in fabricating and downstream businesses:

-- Final approval from the Ministry of Commerce in China was received and the new joint venture was formed with China International Trust & Investment (CITIC), Alcoa's equity partner in Bohai Aluminum, to produce aluminum rolled products at the Bohai plant in Qinghuangdao, China. Alcoa anticipates having the expansion commissioned by 2008.

-- To serve customers in the aerospace market, the company is expanding its heat-treated sheet and plate capacity by 50 percent. The expansion is expected to be completed by the end of next year at plants in Davenport, Iowa USA; Kitts Green, UK; Fusina, Italy; and Belaya Kalitva, Russia.

-- Alcoa Fastening Systems business is creating two new 50,000 square-foot manufacturing sites in the Suzhou Industrial Park in China, 100 km from Shanghai, to support rapidly growing commercial aviation and railway/rail car production and sub-assembly in that market.

-- Continued integration of the recently acquired Belaya Kalitva and Samara plants in the Russian Federation. The plants have already begun the process of servicing North American automotive customers and have made additional progress to qualify products for key customers in the aerospace and commercial transportation markets.

#### Segment and Other Results

(all comparisons on a sequential quarter basis, unless noted)

Alumina - After-tax operating income ("ATOI") was \$183 million, up 17 percent from the third quarter. Stronger overall shipments and higher pricing drove the result. Higher maintenance, energy and caustic soda costs negatively affected the segment by \$18 million. Alumina production for the quarter was 3,706 thousand metric tons ("kmt"), compared to 3,688 kmt in the third quarter of 2005, with increases coming from the Western Australian operations.

Primary Metals - Segment ATOI increased by \$74 million, or 44 percent, to \$242 million largely due to higher metal prices and a favorable legal settlement related to power costs. Total shipments declined as the company purchased less primary metal for internal use. Purchases for the quarter were 164 kmt, down from 189 kmt in the third quarter. Primary metal production for the quarter was 900 kmt, down slightly from third quarter production of 904 kmt. Increased production from the Alumar expansion was offset by the outage at the Portland smelter. Third party realized metal prices increased \$214 to \$2,177 per ton. The mark-to-market impact on metal and metal-related activity is not recognized in the segment results.

Flat Rolled Products - ATOI for the segment decreased \$19 million to \$62 million. Strong productivity improvements and favorable aerospace mix were offset by raw material and energy cost increases, seasonally lower can sheet volumes, along with higher Russian losses. Aerospace demand remained strong.

Extruded and End Products - Seasonal declines in residential and commercial building and construction coupled with overall weak market conditions in soft alloy extrusions drove ATOI down by \$26 million.

Engineered Solutions - ATOI for the segment increased to \$45 million, up 41 percent, driven by continued strong performance from the Industrial Castings and Forged Products business, Fastening Systems and Wheel Products business. Product launch costs at AFL Automotive began to abate in the quarter.

Packaging and Consumer - Segment ATOI declined \$8 million to \$20 million in the quarter. The usual seasonal strength in the consumer products business was offset by higher raw material costs, largely hurricane related.

#### ATOI to Net Income Reconciliation

The largest variance in reconciling items was in the "other" line item. The sequential change in the "other" line item is related to higher LIFO cost, the gain on the sale of the railroad business in the third quarter, and the mark-to-market losses on metal and metal-related activity.

Alcoa will hold its quarterly conference call at 5:00 PM Eastern Time on January 9th to present the quarter's results. The meeting will be webcast via [alcoa.com](http://alcoa.com). Call information and related details are available at [www.alcoa.com](http://www.alcoa.com) under "Invest."

#### About Alcoa

Alcoa is the world's leading producer and manager of primary aluminum, fabricated aluminum and alumina facilities, and is active in all major aspects of the industry. Alcoa serves the aerospace, automotive, packaging, building and construction, commercial transportation and industrial markets, bringing design, engineering, production and other capabilities of Alcoa's businesses to customers. In addition to aluminum products and components, Alcoa also markets consumer brands including Reynolds Wrap(R) foils and plastic wraps, Alcoa(R) wheels, and Baco(R) household wraps. Among its other businesses are vinyl siding, closures, fastening systems, precision castings, and electrical distribution systems for cars and trucks. The company has 129,000 employees in 42 countries and has been named one of the top three most sustainable corporations in the world at the World Economic Forum in Davos, Switzerland. More information can be found at [www.alcoa.com](http://www.alcoa.com)

## Exhibit 11



Alcoa Power Generating Inc., Yadk

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## Badin Works

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Alcoa began producing aluminum at its Badin Works, a primary aluminum smelter, in August 1917. Until recently, electricity generated at the Yadkin Project was used to support the electric power needs of Badin Works. Aluminum production at Badin was temporarily curtailed by Alcoa in August 2002, as part of a series of business decisions made by Alcoa to continue its long-term, low cost production strategy within the context of a weak economy. Today, the plant manufactures anodes and high-purity aluminum. Should Alcoa decide to restart its aluminum production operations in Badin in the future, electricity generated at the Project will again be used to support those operations. In the interim, electricity generated at the Project is used by Alcoa to support its other aluminum operations or is sold on the open market.

[Click image to enlarge.](#)

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[→ Alcoa Power Generating Inc., Yadkin Division](#)

## **Brunei Economic Development Board and Alcoa Sign MOU To Study Feasibility of a Brunei Smelter**

PITTSBURGH & BRUNEI--(BUSINESS WIRE)--Sept. 25, 2003--The Brunei Economic Development Board (BEDB) and Alcoa Inc. today announced they have signed a Memorandum of Understanding (MOU) to undertake a feasibility study on the establishment of an aluminium smelting plant and its associated infrastructure in Brunei Darussalam.

This initiative is part of BEDB's two-pronged strategy to kick start Brunei Darussalam's economic diversification and create opportunities for its people. It is an integral part of the plans to develop downstream and manufacturing industries, power supply and infrastructure in the major industrial site of Sungai Liang.

The objective of the MOU is to commit the BEDB and Alcoa to a feasibility study that will enable both parties to arrive at a mutually acceptable determination of the overall concept of the aluminium smelting plant. The MOU also details conditions necessary before a Final Investment Decision can be made. An assessment of the environmental impact of the establishment of the aluminium smelting plant will form an integral part of the study. Alcoa will carry out the study in 2 phases over a period of 24 months, beginning in the fourth quarter of 2003. The BEDB's role under this MOU will be to provide support and assistance to Alcoa in undertaking this study.

Commenting on this MOU, Dato Haji Yusof Haji Hamid, Chairman of the BEDB said, "We are very pleased to welcome a company of Alcoa's global standing to Brunei Darussalam. Alcoa's interest to establish an aluminium smelting plant is a natural fit in BEDB's strategy to diversify Brunei Darussalam's economy. This project has the potential to bring in foreign direct investment and create some 1000 direct jobs. Local SME will also be able to take advantage of the many spin offs created."

Alcoa is the world's leading producer of primary aluminium, fabricated aluminium and alumina recording USD 20.3 billion in revenue in 2002. It operates in more than 350 locations in 40 countries and is active in all major aspects of the aluminium industry - technology, mining, refining, smelting, power generation, fabricating and recycling. Alcoa is interested in exploring the possible expansion of its primary aluminium production capacity and believes that the Brunei Darussalam project will fit in with its long-term business objectives.

"Alcoa is always exploring ways we can both build our business and lower our position on the global cost curve in terms of primary aluminium production. This feasibility study is a natural extension of that work," said Mike Baltzell, President of Alcoa Primary Development Group. "We are very careful with our Company's capital resources. Feasibility studies, such as this one, help us better understand the requirements - from a financial, social and environmental standpoint -- and the possible returns we might expect from an investment. The Brunei Economic Development Board has been extremely cooperative and strategic in the process and we look forward to continuing our work together on this study," said Baltzell.

"Our ongoing efforts to attract major players to invest in long term sustainable projects within Brunei Darussalam are evidently producing results," said John Perry, Chief Executive Officer of the BEDB, "It is now essential that we capture that interest by focussing on the implementation of our strategy."

## Exhibit 13

**Markets >**[contact us >](#) [country sites >](#) [custo](#)[About Alcoa >](#) [Community >](#) [Environment >](#) [News >](#) [Invest >](#) [Careers >](#) [Products >](#)**Aluminum Ingot Products****→ Overview****→ Capabilities****→ Map of Locations****→ Global Capacity****→ Global Cast House System****→ Products****→ Making Aluminum****→ News****→ Growth Initiatives****→ China Strategy****→ Businesses/Contacts****→ MSDS Search****Key Facts**

- **27 smelters on 5 continents**
- **9 refineries on 4 continents**
- **4.0 mmt aluminum capacity; 13% of world's metal**
- **14.0 mmt of alumina; 24% of world's capacity**
- **\$5.2 billion in 3rd party sales**
- **\$3.1 billion in intersegment metal sales**

Our strategy is clear: continue our position as the world's foremost producer; strengthen and expand our base; continue to lower our costs; and build for the future.

Because of the lead times necessary to build or expand a smelter, along with our stringent sustainability and capital outlay criteria, we are in various stages on a number of expansion programs.

Our smelting opportunities are vast: a new greenfield smelter in Iceland scheduled to begin production in 2007; expansion projects in Québec and Brazil; finalizing the Pingguo joint venture in China; a memorandum of understanding to acquire a 26% stake in Alba in Bahrain; and a feasibility study to construct a smelter in Brunei... and we continued to invest in power opportunities – the underpinning of smelting – in Rockdale (TX) and Brazil.

--2003 Alcoa Annual Report

## **Alcoa, Government of the Republic of Ghana Agree to Re-Start Valco Smelter**

NEW YORK & ACCRA, Ghana--(BUSINESS WIRE)--Aug. 4, 2005--Alcoa (NYSE:AA) and the Government of the Republic of Ghana today announced they have finalized agreements to re-start the Valco aluminum smelter in Tema, Ghana.

Plans are already underway to re-start 3 potlines at Valco representing 120,000 metric tons per year (mtpy). The parties anticipate that the re-start will be implemented in the first quarter of 2006 at which time production at the facility is expected to be approximately 10,000 metric tons a month.

Alcoa and the Government are continuing discussions to develop an integrated aluminum industry in Ghana that would include bauxite mining, alumina refining, aluminum production, and rail transportation infrastructure upgrades, as outlined in their memorandum of understanding signed in January 2005. Alcoa's participation in the bauxite and alumina operations in Ghana will be through its Alcoa World Alumina and Chemicals (AWAC) global enterprise, which is 60 percent owned by Alcoa and 40 percent owned by Alumina Limited of Australia.

According to the re-start agreements, Ghana will be the managing owner of the smelter and will receive technical, operational and commercial support from Alcoa. In addition, Alcoa will serve as Valco's exclusive distributor for export sales of metal produced at the smelter. Alumina, the key raw material for aluminum production, will be supplied via an interim supply agreement between AWAC and Valco. Power for the smelter will be supplied by the Volta River Authority ("VRA"). Costs for the re-start, estimated at USD \$20 Million, will be funded by debt financing obtained by Valco.

## **Alcoa and Gov. of Iceland to Begin Feasibility Studies on a New 250,000 mtpy Renewable Energy-Powered Smelter in North Iceland; Smelter Could Be One of the First Geothermal-Powered in the World**

REYKJAVIK & NEW YORK--(BUSINESS WIRE)--March 1, 2006--Alcoa (NYSE:AA) and the Government of Iceland have agreed to begin detailed feasibility studies for the development of a 250,000 metric ton per year (mtpy) aluminum smelter based principally on geothermal energy, at Bakki near Husavik in North Iceland. The agreement comes after Alcoa selected Husavik following an extensive joint public comparative study which weighed three prospective sites in North Iceland. The other sites were at Brimnes near Skagafjörður and Dynses near Akureyri. It is the first time that such an exhaustive public comparative study has been conducted for industrial site selection in Iceland.

Alcoa's final assessment factored in work by a joint committee comprising representatives of the three Municipalities, Invest in Iceland (a development agency of the Icelandic Government) and Alcoa, as well as consultants to the committee and to Alcoa. The assessment took into account a complete range of economic, social, and environmental factors covering site geology and topography, climate, coastal marine conditions, harbor facilities, transportation, power supply, community demographics, community acceptance, labor market, employment potential, aesthetics, archaeological importance, ecology, and other factors.

In announcing Bakki as the site chosen for further, detailed studies, Valgerdur Sverrisdóttir, Minister for Industry and Commerce said the establishment of an aluminum smelter based on renewable hydro or geothermal energy in North Iceland was an essential element in the government's economic development strategy.

"It is essential that we use our clean and renewable energy sources to broaden and strengthen our economy through regional industrial development that will deliver stable, long-term, sustainable benefits. Aluminum smelting is an ideal industry for this purpose. We have seen the benefits that have flowed from such development in the south and west. Alcoa's Fjarðaál smelter, which is currently under construction, is stimulating renewal in East Iceland. And now we need to seek similar development for the North," she said.

Bernt Reitan Executive Vice President Alcoa, and President Alcoa Global Primary Products said that Alcoa was delighted to have been chosen first to participate in the comparative site selection study, and now the detailed feasibility studies.

"This is not yet a decision to build a smelter," said Reitan. "This could conceivably be one of the first geothermal-powered smelters in the world, so we have a great deal of work ahead of us to prove the feasibility of this project -- particularly around the cost, and timing of delivery, of power -- but this is an outstanding opportunity to continue building our successful relationship with the Government and people of Iceland. It is a country where Alcoa's commitment to sustainable development is expected and embraced, the business environment is supportive and transparent, the Regional authorities welcome responsible development, and the workforce is highly educated and skilled in a wide variety of disciplines. We feel very much at home here," said Reitan.

If detailed feasibility studies prove the viability of the proposed smelter, it is not expected that ground would be broken before 2010.

## Exhibit 16

**Alcoa Announces Construction Completed and Production Started on Alumar Aluminum Smelter Expansion in Brazil**

NEW YORK & SAO LUIS, Brazil--(BUSINESS WIRE)--March 7, 2006--Alcoa (NYSE:AA) Chairman and CEO Alain Belda announced today that construction on the expansion of its Alumar smelter in Sao Luis, Maranhao, Brazil, has been completed and start-up of full production has begun. The expansion will add 63,000 mtpy of aluminum, bringing total capacity there to 438,000 mtpy. Mr. Belda made the announcement during his presentation on Alcoa's global growth strategy at Citigroup's Annual Global Industrial Manufacturing Conference in New York today. During his presentation, Mr. Belda said that consumption of aluminum products, both upstream and downstream, is expected to double over the next 14 years due to evolving demographics around the world.

The expansion of the Alumar smelter took place in two stages: 48 of the new pots were put into operation in November 2005 and the start up of the remaining 52 pots began today and is expected to be completed by the end of the month. The total expected incremental production in 2006 is approximately 50,000 metric tons. When the current expansion is fully operational, Alcoa will increase its stake in the Sao Luis aluminum production operation to 60%, representing approximately 263,000 mtpy.

"Alumar is recognized worldwide as one of the world's largest industrial complexes for producing alumina and aluminum, and it is one of the most modern smelters in the Alcoa system. This project was completed within the original timetable and budget and most importantly it was completed safely," said Alcoa Chairman and CEO Alain Belda.

A copy of Mr. Belda's presentation can be found at  
[http://www.alcoa.com/global/en/investment/citigroup\\_gimc\\_06.asp](http://www.alcoa.com/global/en/investment/citigroup_gimc_06.asp)

The expansion of the Alumar Consortium's aluminum plant is part of an overall investment plan Alcoa implemented for its primary metal production operations in Brazil, totaling US\$1.6 billion and includes the expansion of the Sao Luis refinery and the creation of the Juruti bauxite mine.

For aluminum production, the Alumar consortium is formed by Alcoa (60%) and BHP Billiton (40%)

## **Alcoa Signs Agreement in Principle to Build World-Class Aluminum Smelter in Trinidad and Tobago; Alcoa to Begin Environmental Impact Assessment**

NEW YORK & Trinidad and Tobago--(BUSINESS WIRE)--Feb. 16, 2006--Alcoa (NYSE:AA) today announced that it has signed an Agreement in Principle with the Government of the Republic of Trinidad and Tobago to build a world-class 341,000 metric-tons-per-year aluminum smelter (mtpy) in the Cap-de-Ville area in southwestern Trinidad. This agreement follows the signing of a Memorandum of Understanding in May 2004 for participation by Alcoa in the development of an aluminum industry in Trinidad and Tobago.

Under the terms of the agreement, Alcoa will begin an environmental impact assessment (EIA) for the location in Cap-de-Ville as part of the company's commitment to sustainable development principles. The company will also complete detailed feasibility studies to determine the full scope and cost of the proposed project.

It is anticipated that Alcoa would build a 341,000 mtpy aluminum smelter, an associated anode plant, and cast house. Project plans call for the production of 240,000 mtpy of billet and forging stock, and also include possible downstream facilities. The facilities would be powered by a self-contained power plant fueled by natural gas. The new smelter and related facilities are projected to cost approximately \$1.5 billion.

Alcoa will hold 100% interest in the smelter with the Government of the Republic of Trinidad and Tobago an active partner in the provision or facilitation of requisite infrastructure.

- It is expected that upon completion, the smelter and associated facilities would permanently employ approximately 750 to 800 people directly and indirectly through associated jobs in the region.

Construction would not begin until the completion of the EIA, and final approvals by Alcoa's Board of Directors and by the Government of the Republic of Trinidad and Tobago. First metal production would be expected in late 2008. Employment during the two-year construction period for the smelter is expected to average approximately 1,500 additional jobs.

In making the announcement, Alcoa Chairman and CEO, Alain Belda, reaffirmed that the new Trinidad and Tobago smelter underlines Alcoa's belief in the future of the Caribbean region as a major supplier of global alumina and aluminum markets.

"With the competitive and efficient energy source, the access to skilled labor, and efficient proximity to alumina supplies and customers, the Trinidad smelter will be ideally placed to compete for its share of the world market in primary aluminum," said Belda. "It also creates a solid foundation for the development of an integrated aluminum industry to further diversify and strengthen the economy of Trinidad and Tobago. In terms of technology, design, and environmental performance, this will be a world-class facility," added Belda.

The Trinidad and Tobago smelter would be Alcoa's third major primary products facility in the Caribbean basin. The company operates a 1.25 million mtpy alumina refinery in Clarendon Jamaica, through a venture between Alcoa World Alumina and Chemicals (AWAC) -- a global alliance between Alcoa and Alumina Ltd., with Alcoa holding 60 percent - and the government of Jamaica. Alcoa has plans for a 1.5 million mtpy expansion of the Jamalco facility, bringing total capacity to 2.7 million mtpy. And in Suriname, the company has bauxite mining, alumina refining and hydropower facilities, including its recently expanded 2.2 million mtpy Suralco alumina refinery in Paranam, jointly owned through AWAC with BHP Billiton.

Alcoa has had operations in Trinidad and Tobago for more than 60 years where its Tembladora Transfer Station loads approximately 525,000 metric tons of alumina from Suriname for shipment throughout the world each year.

## **Alcoa Lodges Application for Certificate of Environmental Clearance for Proposed Aluminum Smelter in Trinidad**

NEW YORK--(BUSINESS WIRE)--March 13, 2006--Alcoa (NYSE:AA) today announced that it has lodged an application to the Environmental Management Authority (EMA) of the Government of the Republic of Trinidad and Tobago for a Certificate of Environmental Clearance (CEC) for a proposed aluminum smelter in the Cap-de-Ville area in southwestern Trinidad.

Lodgment of the application will result in development by the EMA of Terms of Reference for completion of a comprehensive Environmental Impact Assessment (EIA) for the proposed facility. Terms of Reference are essentially instructions for conducting the EIA. The EIA process requires that the Terms of Reference must be open for public review before they are finalized. This ensures that members of the local community, non-governmental organizations, and members of the public in general can determine whether or not the Terms of Reference cover all the questions that must be answered in order to allow a proper evaluation of the effects--positive and negative--that the project will have on the environment and community.

"We are committed to a full and open Environmental Impact Assessment process to ensure all citizens of Trinidad and Tobago have the opportunity to participate and be heard. In keeping with this commitment, we have posted our CEC application on Alcoa's Trinidad and Tobago website and welcome its widespread distribution," said Randy Overbey, Alcoa's president of Primary Metals Development.

The EIA is a detailed study which identifies the environmental and social conditions currently existing and then determines likely effects of the project on those conditions and what must be done to mitigate any negative effects. Environmentally, the EIA must consider potential effects on soil, water, air, plants, and animals. Socially, it must consider potential effects on people, their health, and their communities.

"The EIA process provides a sound scientific basis for determining what measures need to be taken to protect the environmental and community health," said Overbey.

### **Smelter Details**

It is anticipated that Alcoa would build a 341,000 metric-tons-per-year (mtpy) aluminum smelter, an associated anode plant, and cast house. It is expected that upon completion, the smelter and associated facilities would permanently employ approximately 750 to 800 people directly and indirectly through associated jobs. Employment during the two-year construction period for the smelter is expected to average approximately 1,500 additional jobs.

Project plans call for the production of 240,000 mtpy of billet and forging stock, and also include possible downstream facilities. The facilities which would be powered by an on-site, natural gas-fires power plant are projected to cost approximately US\$1.5 billion.

Alcoa will hold 100% interest in the smelter, with the Government of the Republic of Trinidad and Tobago an active partner in the provision and facilitation of requisite infrastructure.

Construction would not begin until the completion of the EIA, final costs are determined, and final approvals by Alcoa's Board of Directors and by the Government of the Republic of Trinidad and Tobago. First metal production would be expected in late 2008.

Alcoa has had operations in Trinidad and Tobago for more than 60 years. Its Tembladora Transfer Station loads approximately 525,000 metric tons of alumina from Suriname for shipment throughout the world each year.

Exhibit 19

## **Alcoa Sets New 3-Year Cost-Savings Challenge; Company Seeks Additional \$1.2 Billion in Annual Savings by 2006; Would Bring Total Savings to More Than \$3.3 Billion Since 1998**

PITTSBURGH--(BUSINESS WIRE)--Jan. 22, 2004--

### **Alcoa Also Reaffirms and Strengthens Its Return On Capital Goal**

At a meeting with analysts and investors today, Alcoa Chairman and Chief Executive Officer, Alain Belda, announced a new company-wide, three-year cost savings challenge, following the successful completion of Alcoa's 2001-2003 cost-savings program in which it achieved \$1.012 billion in annual savings. Belda also reaffirmed and expanded upon the Company's goal of striving to join the first quintile of S&P Industrials in return on capital (ROC) performance.

The new 2004-2006 cost-savings program, which is based on the principles of the Alcoa Business System, calls for a reduction of \$1.2 billion in annual expenditures by the end of 2006. Upon completion of this program, the company's third three-year cost savings challenge, Alcoa will have eliminated more than \$3.3 billion in costs, while building closer ties to its customers and building for the future. Cost savings within this program are sustainable reductions in expenditures and exclude certain items such as energy and currency impacts. These savings have helped offset unfavorable effects since the beginning of the first challenge, including those in energy, health and welfare benefits, currency, and declines in price and mix.

"Alcoans' continued implementation of The Alcoa Business System - our management system that begins with an understanding of customers' requirements, identifies the activities and items needed to meet the requirements, and then enables all employees throughout the company to eliminate anything that is unnecessary - has dramatically increased our productivity and brought us closer to our customers," said Belda.

"Since 1998 the Alcoa Business System has helped deliver more than \$2.1 billion in cost savings," added Belda. "Through our employees' continued application of ABS, we will seek to eliminate an additional \$1.2 billion in waste; it is important to note that this is not a people-reduction initiative."

Significant savings have been garnered in a number of areas of the company, including, procurement via improved purchasing practices and global sourcing, manufacturing productivity via improved flow paths, and administrative savings through streamlined processes. These areas and others throughout the company will continue in this new cost savings drive.

At the meeting with analysts and investors, Belda also discussed the company's goal of providing superior returns, including a renewal of its aspiration to join the first quintile of S&P Industrials in return on capital (ROC) performance. Belda said that in pursuit of this ROC goal, the company would seek to provide, at a minimum, returns in excess of the cost of capital, regardless of general economic and aluminum cycles. The cost of capital is currently approximately 9%.

Alcoa's fourth quarter ROC on an annualized basis was 7.6%, versus a company ROC of 4.2% in 2002. The first quintile hurdle currently is approximately 16 percent.

Belda noted that the company's most senior executives will now have more of their compensation at-risk, and directly linked to the attainment of financial goals relative to the performance of other top-tier companies. This will be achieved through a new performance share design, which is at risk depending on Alcoa's relative ROC performance each year.

THIS AGREEMENT OF LEASE, dated as of the 1st day of July, 1951, by and between

YADKIN RAILROAD COMPANY, a corporation of the State of North Carolina, hereinafter styled Lessor, party of the first part; and

CAROLINA AND NORTHWESTERN RAILWAY COMPANY, a corporation of the States of Virginia, North Carolina and South Carolina, hereinafter styled Lessee, party of the second part;

WITNESSETH:

THAT the LESSOR, for and in consideration of the rents or sums of money herein reserved to be paid to it by Lessee, and of the covenants of Lessee hereinafter expressed, does hereby lease unto LESSEE:

ALL of the railroads and physical properties of Lessor, including leased properties, equipment, material and supplies, and all contracts, rights, powers, franchises and privileges in connection therewith, as well as the income therefrom, EXCEPT cash and United States Government Bonds in the Treasury of Lessor on July 1, 1951, or due as of that date; SUBJECT, however, to the First Mortgage of Lessor to Central Trust Company of New York (now The Hanover Bank), Trustee, dated November 7, 1890.

TO HAVE AND TO HOLD the said leased premises unto LESSEE for a term beginning as of the 1st day of July, 1951, and ending on the 31st day of December in the year 2000; SUBJECT, however, to termination by either party by six (6) months' written notice to the other, and SUBJECT ALSO to termination at the election of the Trustee of the Development and General Mortgage of Southern Railway Company in the event of default under that Mortgage as provided in Section 6 of Article Three of said Mortgage; upon the Lessee's

YIELDING AND PAYING, however, to Lessor the following rents or sums of money:

(a) An annual rental of Thirty Thousand Five Hundred Dollars (\$30,500);

(b) An amount equal to the charges for depreciation or amortization allowed to Lessor for each calendar year in respect of the leased premises under the provisions of the United States Internal Revenue Code;

(c) In the event of retirement or abandonment of depreciable property of Lessor, solely on account of casualty, obsolescence or other cause not adequately provided for in determining the rates of depreciation or amortization, respectively, an amount equal to the deduction allowed to Lessor for each calendar year for such causes with respect to the leased premises under the provisions of the United States Internal Revenue Code; and

(d) In the event of retirement or abandonment of nondepreciable property of Lessor, an amount equal to the deduction allowed to Lessor for each calendar year for such causes with respect to the leased premises under the provisions of the United States Internal Revenue Code;

said rentals (a), (b), (c) and (d) to be payable semi-annually on the 30th day of June and the 31st day of December in each year; it being understood that rentals (b), (c) and (d) may be estimated in the first instance, but shall be adjusted when actual allowances are ascertained; and also the following contingent rental:

(e) A contingent rental in any calendar year in which Lessee has net profits equal to such proportion of said net profits as the railway operating revenues derived by Lessee in that year from the movement of traffic over the leased property shall bear to the total railway operating revenues of Lessee; said contingent

rental to be payable annually on December 31 of each year.

As used in paragraph (e), the term "net profits" shall be interpreted to mean the net railway operating income of Lessee in any calendar year less its fixed charges (excluding contingent rental) and less miscellaneous income charges in that year. "Railway operating revenues", "net railway operating income", "fixed charges (excluding contingent rental)" and "miscellaneous income charges" used in computing the contingent rental shall be ascertained pursuant to the Accounting Classifications prescribed by the Interstate Commerce Commission. Lessee shall keep such records as will reflect with reasonable accuracy the railway operating revenues which Lessee derives from the movement of traffic over the leased property.

Rentals payable December 31, 1951, shall be for the period July 1, 1951, to December 31, 1951.

For the purposes of this lease, depreciable property refers to the classes of property for which deductions for depreciation or amortization are now or may hereafter be allowed to Lessor under the United States Internal Revenue Code, and nondepreciable property refers to all other classes of property.

And it is hereby covenanted and agreed between Lessor and Lessee, in consideration of said lease:

1. That Lessee will pay the rents and sums of money herein reserved in the manner and on the basis herein specified.
2. That Lessee will assume, carry out and perform all of the public duties of Lessor; and that it will pay and discharge all taxes (other than income taxes), licenses or other charges which may be assessed or levied upon the property of Lessor leased hereunder.
3. That Lessee will maintain the properties leased hereunder in such good condition and repair that upon the ter-

mination of this lease said properties shall be in good operating condition, with normal maintenance having been performed; and shall return said properties to Lessor at the termination of this lease in good condition and repair, ordinary and reasonable wear and tear excepted, together with materials and supplies equivalent to those turned over to the Lessee at the beginning of the term of this lease.

4. Lessee shall have the right to retire, abandon or otherwise dispose of any portions of the leased properties, including equipment, no longer necessary in connection with the operation and maintenance of the railroads and properties leased hereunder. Upon the retirement or abandonment of any of the leased premises, such property so retired or abandoned (other than land) shall belong to the Lessee; provided, however, that Lessee shall pay to Lessor an amount equal to the value of the net salvage therefrom, that is to say, the gross salvage less labor and other costs of salvaging.

5. Lessor shall bear the costs of depreciation, amortization and losses on retirements.

6. Lessee shall have full occupancy, control and management of the leased properties and their appurtenances with the right to change or alter the same from time to time as may be requisite in connection with the operation thereof, and the further right to exercise or have exercised in its behalf every right, power and privilege possessed by Lessor in respect thereof, either in its own name or in the name of Lessor, subject to the terms and provisions of this lease.

7. Lessor will preserve and continue its corporate existence in so far as the same may be required for the proper protection and preservation of the rights of Lessee hereunder and will take all such corporate or other actions as may be necessary to assure Lessee full use and enjoyment of the premises leased hereunder and for the purposes of exercising the power of eminent domain or other powers,

privileges and franchises in connection with the use, operation and enjoyment of the leased premises.

8. That this lease agreement shall inure to the benefit of and be binding upon the respective successors and assigns of the parties hereto as well as upon the parties themselves.

9. This instrument is executed in several counterparts, each part so executed being an original, and such counterparts together constituting but one and the same instrument which shall be sufficiently evidenced by any such original counterpart. This instrument is dated as of July 1, 1951, for convenience only, and the actual dates of execution are the dates of acknowledgment hereof by the respective parties hereto.

IN WITNESS WHEREOF, the parties hereto have caused these presents to be executed and their respective corporate seals to be hereunto affixed and attested by their respective officers thereunto duly authorized, as of the day and year first above written.

YADKIN RAILROAD COMPANY,

By E. R. OLIVER,  
*Vice President.*

(SEAL)  
ATTEST:

M. N. ROWZIE,  
*Assistant Secretary.*

CAROLINA AND NORTHWESTERN  
RAILWAY COMPANY,

By JOHN B. HYDE,  
*Vice President.*

(SEAL)  
ATTEST:

R. L. EDDINGTON,  
*Secretary.*

F.H.T.

DISTRICT OF COLUMBIA, }  
CITY OF WASHINGTON. }

This 29th day of June, A.D. 1951, personally came before me, P. K. Howard, a Notary Public in and for the District of Columbia, E. R. Oliver, who, being by me duly sworn, says that he is Vice President of the Yadkin Railroad Company, and that the seal affixed to the foregoing instrument in writing is the corporate seal of said company, and that said writing was signed and sealed by him in behalf of said corporation by its authority duly given. And the said Vice President acknowledged the said writing to be the act and deed of said corporation.

WITNESS my hand and notarial seal this the 29th day of June, 1951.

(SEAL) P. K. HOWARD,  
*Notary Public in and for the  
District of Columbia.*

My commission expires May 1, 1955.

DISTRICT OF COLUMBIA, }  
CITY OF WASHINGTON. }

This 27th day of June, A. D. 1951, personally came before me, Hobart R. House, a Notary Public in and for the District of Columbia, John B. Hyde, who, being by me duly sworn, says that he is Vice President of the Carolina and Northwestern Railway Company, and that the seal affixed to the foregoing instrument in writing is the corporate seal of said company, and that said writing was signed and sealed by him in behalf of said corporation by its authority duly given. And the said Vice President acknowledged the said writing to be the act and deed of said corporation.

WITNESS my hand and notarial seal this the 27th day of June, 1951.

(SEAL)                      HOBART R. HOUSE,  
                                    *Notary Public in and for the*  
                                    *District of Columbia.*

My commission expires November 15, 1951.

An Agreement, made and entered into this 28th day of March, 1916, by and between

TALLASSEE POWER COMPANY, a corporation organized and existing under and by virtue of the laws of the State of North Carolina, hereinafter for convenience styled the Lessor, party of the first part; and

YADKIN RAILROAD COMPANY, a corporation organized and existing under and by virtue of the laws of the State of North Carolina, hereinafter for convenience styled the Yadkin Company, party of the second part:

**Witnesseth:**

THAT the LESSOR, for and in consideration of the sum of one dollar to it in hand paid by the Yadkin Company; the receipt whereof is hereby acknowledged, and of the covenants of the Yadkin Company upon its part to be kept and performed as hereinafter expressed, has leased and demised, and by these presents does now lease and demise unto the Yadkin Company

ALL that certain line of railroad of the Lessor extending from a point of connection with the railroad of the Yadkin Company running between Salisbury and Norwood, at Halls Ferry Junction, near New London, in the County of Stanly and State of North Carolina, thence in a northeasterly direction, for a distance of seven (7) miles, more or less, to Whitney on the Yadkin River, in said Stanly County;

TOGETHER with all and singular the rails, roadbed, right of way, side tracks, switches, turnouts, bridges, trestles, depots, structures and appurtenances of whatsoever nature, to the same belonging or in any wise appertaining.

To Have and to Hold the same unto the Yadkin Company, its successors and assigns, until this agreement

shall be terminated by either party hereto upon notice, in writing, to the other party hereto, as hereinafter provided.

AND the LESSOR further covenants and agrees unto and with the Yadkin Company, that it, the Yadkin Company, and its successors and assigns, shall, during the term of this lease, have quiet, peaceable and uninterrupted possession of said demised line of railroad and property, and the sole and exclusive use and enjoyment thereof.

AND the YADKIN COMPANY hereby covenants and agrees:

That it will, during said term, at its own cost and expense, except as hereinafter provided, maintain and operate, or cause to be maintained and operated, the said line of railroad as a common carrier, in connection with the said railroad of the Yadkin Company.

AND it is MUTUALLY Covenanted and Agreed:

1. That the operation of the said line of railroad by the Yadkin Company, so to be undertaken, shall contemplate only the furnishing and handling and the operation thereon of such motive power and equipment, as the volume of business to be created by the Lessor and the local traffic along the said line of railroad shall warrant and the facilities of the Yadkin Company and its successors and assigns shall permit; and shall not be interpreted as imposing upon the Yadkin Company, its successors or assigns, any obligation to do terminal switching on said line unless the Yadkin Company, its successors or assigns, shall elect to do such switching, and shall be paid reasonable compensation therefor.

2. That the maintenance of said line of railroad by the Yadkin Company, so to be undertaken, shall contemplate only such ordinary maintenance thereof as may be necessary to keep the track, roadbed and superstructure thereof, as originally built, in such condition as will permit the safe and convenient operation thereof by the Yadkin Company; and that all betterments of the said line of railroad, as well as all extraordi-

nary maintenance thereof, such as damage to roadway, embankments, tracks, culverts, buildings or other structures, caused by or resulting from ponding of water, landslides, fire, Acts of Providence or other similar causes, shall be made; and all taxes and assessments levied thereon shall be paid, by and at the sole cost and expense of the Lessor, without further obligation on the part of the Yadkin Company; but such renewals and betterments shall be made under the supervision of and subject to the approval of the Yadkin Company.

3. That upon the termination of this agreement, as hereinafter provided, the Yadkin Company will quietly and peaceably surrender the said line of railroad and appurtenances hereby demised unto the Lessor, its successors and assigns, in as good condition as the same may have been in when received by the Yadkin Company, damages by fire or other casualty and ordinary wear and tear excepted.

4. That the Yadkin Company may discontinue operation of said line of railroad and surrender same unto the Lessor sixty (60) days after it shall have served upon the Lessor notice, in writing, of its election so to do, and terminate this agreement; and the Lessor may re-enter upon said line of railroad and oust and exclude the Yadkin Company therefrom, one (1) year after it shall have served upon the Yadkin Company notice, in writing, of its election so to do and terminate this agreement.

In Witness Whereof, the parties hereto have caused these presents to be executed and their respective corporate seals to be hereunto affixed and attested by their respective officers thereunto duly authorized, the day and year first above written.

TALLASSEE POWER COMPANY,

By

ARTHUR V. DAVIS,

*President.*

[SEAL]

Attest:

G. R. GIBBONS,

*Secretary.*

YADKIN RAILROAD COMPANY,

By

FAIRFAX HARRISON,

*President.*

[SEAL]

Attest:

GEO. R. ANDERSON,

*Assistant Secretary.*

E. H. C.

An Agreement, made and entered into this 28th day of March, 1916, by and between

TALLASSEE POWER COMPANY, a corporation organized and existing under and by virtue of the laws of the State of North Carolina, hereinafter for convenience styled the Lessor, party of the first part; and

YADKIN RAILROAD COMPANY, a corporation organized and existing under and by virtue of the laws of the State of North Carolina, and WINSTON-SALEM SOUTH-BOUND RAILWAY COMPANY, a corporation organized and existing under and by virtue of the laws of the State of North Carolina, hereinafter together for convenience styled the Lessees, parties of the second part;

**Witnesseth:**

THAT the LESSOR, for and in consideration of the sum of One Dollar to it in hand paid by the Lessees, and of other good and valuable considerations it thereunto moving, the receipt whereof is hereby acknowledged; and of the covenants of the Lessees upon their part to be kept and performed as hereinafter expressed, has leased and demised, and by these presents does lease and demise unto the Lessees, to be used and enjoyed in common by the said Lessees, which shall have equal rights, each with the other, in said use and enjoyment thereof.

ALL that certain line of railroad of the Lessor extending from a point of connection with the so-called Whitney Branch of the Lessor, (now under lease to said Yadkin Railroad Company) at Whitney, in the County of Stanly and State of North Carolina, thence in a southeasterly direction, for a distance of five (5) miles, more or less, to Badin, in said Stanly County;

TOGETHER with all and singular the rails, roadbed, right of way, side track, switches, turnouts, bridges, trestles, depots, structures and appurtenances of whatsoever nature, (now existing or which as hereinafter provided may be hereafter constructed by the Lessor) to the same belonging or in any wise appertaining.

ALL being substantially as shown in red upon the blue-print hereunto annexed and made a part of this agreement.

To have and to hold the same unto the Lessees, their successors and assigns, respectively, until this agreement shall be terminated by either party hereto upon notice, in writing, to the other party or parties hereto, as hereinafter provided.

AND the LESSOR further covenants and agrees unto and with the Lessees, that they, the said Lessees, and their successors and assigns, shall, during the term of this lease, have quiet, peaceable and uninterrupted possession of said demised line of railroad and property, and the sole and exclusive common use and enjoyment thereof.

AND the LESSEES hereby covenant and agree:

That they will, during said term, at their own cost and expense, except as hereinafter provided, maintain and operate, or cause to be maintained and operated, the said line of railroad as a common carrier, in connection with the respective railroads of the Lessees.

AND it is MUTUALLY covenanted and agreed:

1. That the operation of the said line of railroad by the Lessees, so to be undertaken, shall contemplate only the furnishing and handling and the operation of such motive power and equipment thereon, as the volume of business to be created by the Lessor and the local traffic along the said line of railroad shall warrant and the facilities of the Lessees shall permit; and shall not be interpreted as imposing upon the Lessees any obligation to do terminal switching on said line unless the Lessees shall elect to do such switching, and shall be paid reasonable compensation therefor; the intention being that inbound carload shipments shall be delivered by the Lessees to the Lessor, and outbound carload shipments shall be delivered by the Lessor to the Lessees, on designated interchange tracks at said Badin, and that passengers, mail, express, baggage and less than carload shipments of freight shall be delivered and received at the station to be provided by the Lessor.

2. That the maintenance of said line of railroad by the Lessees, so to be undertaken, shall contemplate only such ordinary maintenance thereof as may be necessary, to keep the

track, roadbed and superstructure thereof, as originally built, or as rehabilitated by the Lessor as hereinafter provided, in such condition as will permit the safe and convenient operation thereof by the Lessees; and that all betterments of the said line of railroad, including telegraph and telephone lines, as well as all extraordinary maintenance thereof, such as damage to roadway, embankments, track, culverts, buildings and other structures which may be caused by or result from ponding of water, fire, landslides, Acts of Providence, or other similar causes, shall be made, by and at the sole cost and expense of the Lessor, without further obligation on the part of the Lessees.

3. That as a condition precedent to any obligation on the part of the Lessees to begin the operation of the said line of railroad, the Lessor shall, at its own cost and expense, rehabilitate the said railroad and its physical appurtenances, and put the same in good serviceable condition and repair, so as to admit of the safe and convenient operation thereof by the Lessees; it being understood and agreed that the work of rehabilitating said railroad and appurtenances shall, at all times during its progress, be subject to the supervision and inspection, and upon its completion, to the approval of the respective Chief Engineers of the Lessees, or their duly authorized representatives.

4. That the Lessor shall forthwith, and within a reasonable time, construct at its own cost and expense, such necessary passenger and freight terminal facilities, including platforms, sidings, interchange tracks and other necessary appurtenant facilities at both Whitney and Badin, as may be reasonably required by the Lessees, for the convenient handling of freight and passenger business at said Whitney and Badin; and shall, moreover, from time to time hereafter, at its own cost and expense, make such additions to, betterments, or improvements of the said line of railroad and terminal facilities, including extraordinary maintenance thereof, as may be necessary and reasonable for the safe and convenient operation of said line of railroad; it being understood that all of such work shall, at all times during its progress, be subject to the supervision and inspection, and upon its completion, to the approval, of the

respective Chief Engineers of the Lessees, or their duly authorized representatives.

5. That the Lessor shall, during the life of this agreement, supply and furnish unto the Lessees, at convenient points on said line of railroad to be agreed upon by the parties hereto, such quantity or quantities of pure clean water, as may be required by the Lessees, for use in locomotive engines and trains operated on said line of railroad, and for other railroad purposes of the Lessees; and to that end, the Lessor shall provide and furnish, at its own exclusive cost and expense, the necessary facilities for supplying such water to the Lessees; it being understood that the Lessees shall pay the Lessor in quarterly settlements, upon bills rendered therefor by the Lessor, in the usual course of business, the actual cost to the Lessor of furnishing such water to the Lessees, but not including any part of the expense to the Lessor of providing and furnishing the water facilities.

6. That the Lessor will pay all taxes and assessments which may be levied upon the said demised line of railroad and the appurtenances thereof, as well as upon any and all additions to or betterments or improvements of the same, and will, moreover, keep the depot buildings, water tanks, bridges, trestles and other structures appurtenant to said railroad fully insured, during the life of this agreement.

7. That upon the termination of this agreement, as hereinafter provided, the Lessees will quietly and peaceably surrender the said line of railroad and appurtenances hereby demised unto the Lessor, its successors and assigns, in as good condition as the same may have been in when received by the Lessees, except ordinary wear and tear and such damage to roadbed, embankments, tracks, culverts, buildings and other structures as may be caused by or result from ponding of water, fire, landslides, Acts of Providence or other similar causes.

8. That the Lessees may discontinue operation of said line of railroad and surrender same unto the Lessor sixty (60)

days after they shall have served upon the Lessor notice, in writing, of their election to do so, and terminate this agreement, and the Lessor may re-enter upon said line of railroad and oust and exclude the Lessees therefrom, one (1) year after it shall have served upon the Lessees notice, in writing, of its election so to do, and terminate this agreement.

9. That if at any time hereafter a difference of opinion or dispute shall arise between the parties hereto, or between any two or more of them, in respect of any of the provisions of this agreement, or as to their respective rights, liabilities or duties hereunder, the matter in dispute, if it cannot be settled by the parties themselves, shall be submitted to arbitration, as hereinafter provided.

Any party hereto desiring the submission of a disputed question to arbitration shall state in writing to the other party or parties to the dispute the matter on which arbitration is desired and shall request in writing such other party or parties to join in the selection of a single disinterested arbitrator, skilled in railroad operation, to determine the same, and if the said parties shall be able to agree upon such arbitrator, such matter shall be submitted to him for decision.

In the event that the parties to the dispute or controversy are unable to agree upon a single arbitrator, as aforesaid, then a board of arbitrators shall be selected in the following manner: If there are only two parties to the controversy, one arbitrator shall be selected by each party, and if there are two or more parties to one side they shall agree in selecting an arbitrator for their side, the two arbitrators thus chosen by the two sides shall select a third arbitrator who shall also act as umpire. If there shall be more than two sides to a controversy, one arbitrator shall be selected by each side, and if the arbitrators thus selected shall be even in number, such arbitrators shall select another arbitrator to act with them, as umpire; or, if the arbitrators selected by the disputing sides to the controversy shall be odd in number, they shall select one of their own number to act as umpire. The party or parties desiring such arbitration shall give written notice of the same to the other party or parties, stating therein definitely the question or questions in dispute, and naming the person selected

as arbitrator or arbitrators, by the party or parties giving the notice; and thereupon it shall become and be the duty of the other party or parties to whom such notice is given, within thirty (30) days after the receipt of such notice, to name an arbitrator or arbitrators, to act for it or them, and in the event that the party or parties receiving such notice shall fail or neglect so to do, then an arbitrator or arbitrators for the party or parties so in default may be appointed by the Federal Judge of the Fifth North Carolina District, upon the written application of the moving party or parties, and upon five (5) days' written notice of such application to the other party or parties to the controversy.

The single arbitrator, if one shall be chosen, or the board of arbitrators selected, as hereinbefore provided, shall give to the parties to the dispute or difference written notice of the time and place of hearing, which hearing shall not be less than twenty (20) nor more than thirty (30) days after service of such notice; and at the time and place appointed the single arbitrator or the board of arbitrators, as the case may be, shall proceed to the final hearing of the question or questions in dispute, unless for good cause shown, of which the arbitrator or the board of arbitrators, by a majority, shall be the judge, such hearing shall be postponed until some later date. The determination of the arbitrator chosen or the board of arbitrators, as the case may be, by a majority of the members composing the board, shall be made in writing, and a report thereof delivered to each of the parties to the dispute or difference, within sixty (60) days from the date of the selection of the single arbitrator, or if a board is selected, the last acting member thereof, as above provided, unless the parties to the dispute or difference shall agree to extend the time within which such report may be so rendered; and such determination, when so made, shall be final and conclusive upon the parties to such dispute or difference, upon the question or questions so submitted to arbitration.

No person shall be qualified to act as arbitrator except a disinterested person skilled in railroad operation.

All expenses attending each and every arbitration shall be borne equally by the parties to the difference or dispute arbitrated.

In Witness Whereof, the parties hereto have caused these presents to be executed and their respective corporate seals to be hereunto affixed and attested by their respective officers thereunto duly authorized, the day and year first above written.

TALLASSEE POWER COMPANY,

By

[SEAL]

ARTHUR V. DAVIS,

Attest:

*President.*

G. R. GIBBONS,

*Secretary.*

YADKIN RAILROAD COMPANY,

By

[SEAL]

FAIRFAX HARRISON,

Attest:

*President.*

GEO. R. ANDERSON,

*Assistant Secretary.*

WINSTON-SALEM SOUTHBOUND  
RAILWAY COMPANY,

By

[SEAL]

HENRY E. FRIES,

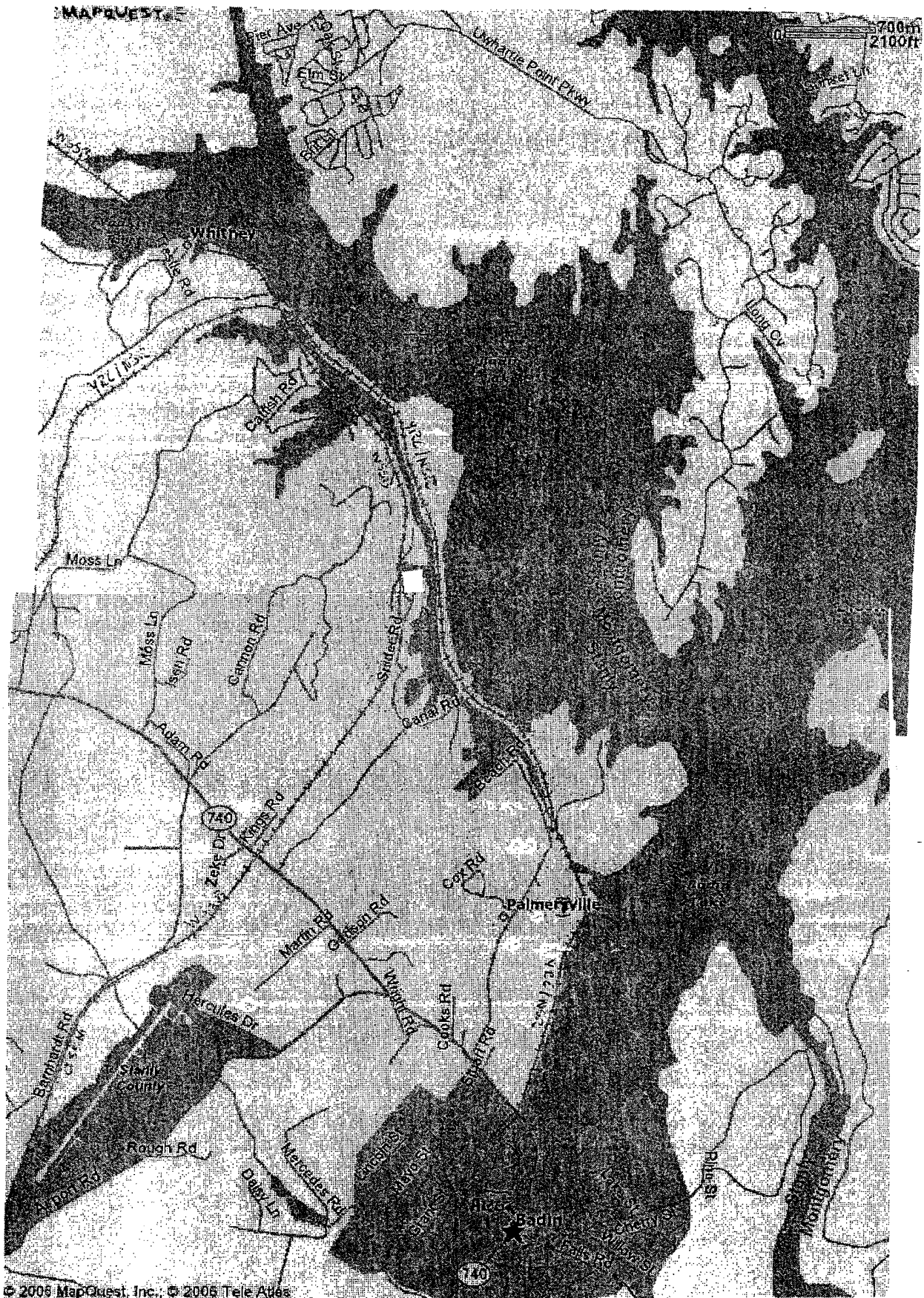
Attest:

*President.*

H. F. WILKINSON,

*Secretary.*

E. H. C.



**Exhibit 24**

Nearly 60 percent of the shoreline of the Yadkin Project lakes is forested. Much of the shoreline and surrounding property is owned by Alcoa-Yadkin, Alcoa and federal agencies. The Uwharrie National Forest borders approximately 10 miles of the shoreline of the Narrows Reservoir.

Alcoa manages these forest lands for timber and environmental protection. An agreement with the North Carolina Wildlife Resources Commission designates much of the forested lands as Game Lands for hunting.

Dozens of rare plants and animal species inhabit the areas surrounding the Yadkin lakes and Alcoa-Yadkin manages these areas for protection of these species. Approximately 41 percent of the total shoreline of the lakes is designated as Conservation Zones for the protection of plants and wildlife and to prevent degradation of the water supply.

A good place to learn more about the forests of the Yadkin lakes is the Eagle Point Nature Preserve in Rowan County near Salisbury. The preserve has over four miles of hiking trails, a self-guided nature trail and wildlife observation areas. For more information, call the preserve at 704.636.2089.



**STB Docket No. AB-290 (Sub-No. 254X)**  
**Norfolk Southern Railway Company**  
**- Discontinuance -**  
**Halls Ferry – Badin, NC**

**WORKPAPERS**

- a. Locomotive Summary Information
- b. Financials – background
- c. Financials spreadsheet
- d. Locomotive ROI
- e. Locomotive Depreciation
- f. Crew materials
- g. Locomotive service
- h. Locomotive repairs
- i. Locomotive fuel
- j. Working capital
- k. Locomotive Holding
- l. Car cost
- m. Cost of capital
- n. GDP Implicit Price Deflator
- o. NSR R-1 data
- p. URCS off-branch costs
- q. Car days on branch
- r. Crew costs

# Locomotive Cost

| Category | GMA Horsepower Classification | Unit Initial and Number | Year of Last Purchase or Rebuild | Historic Cost | Indexed Cost      |                  |
|----------|-------------------------------|-------------------------|----------------------------------|---------------|-------------------|------------------|
|          |                               |                         |                                  |               | 10/1/04 - 9/30/05 | 3/1/06 - 2/28/07 |
| 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       | 1,067,052         |                  |
| 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       | 1,374,773         | 1,584,998        |
| 6        | 2,500 HP - 2,999 HP           |                         |                                  |               |                   |                  |
| 7        | 3,000 HP - 3,599 HP           | NS (SOU) 4641           | 1989                             | 1,161,730     | 1,635,899         |                  |
| 8        | 3,600 HP AND OVER             | NS (NS) 7512            | 2004                             | 1,547,000     | 1,721,117         |                  |
| 9        | Booster                       | NS (SOU) 0965           | 1990                             | 241,543       | 326,938           |                  |

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# NS Locomotive Summary Information

| Cat          | GMA Horsepower Classification | Total* | Total Active | Average Age |      |      | Average Tons 2004 | As of 2/22/2006<br>Indexed Locomotive Cost |      |              |      |             |             |
|--------------|-------------------------------|--------|--------------|-------------|------|------|-------------------|--------------------------------------------|------|--------------|------|-------------|-------------|
|              |                               |        |              | 2004        | 2005 | 2006 |                   | 2003                                       | 2004 | 10/04 - 9/05 | 2005 | 3/06 - 2/07 |             |
| 1            | 999 HP and under              | 1      | 0            |             |      |      |                   |                                            |      |              |      |             |             |
| 2            | 1,000 HP - 1,499 HP           | 10     | 6            | 31.0        | 32.0 | 33.0 |                   |                                            |      |              |      |             |             |
| 3            | 1,500 HP - 1,749 HP           | 193    | 163          | 26.4        | 27.4 | 28.4 | 129.6             |                                            |      |              |      | \$905,993   | \$956,511   |
| 4            | 1,750 HP - 1,999 HP           | 10     | 7            | 47.6        | 48.6 | 49.6 | 184.0             |                                            |      |              |      |             | \$1,067,052 |
| 5            | 2,000 HP - 2,499 HP           | 506    | 387          | 30.2        | 31.2 | 32.2 | 131.3             |                                            |      |              |      | 1,193,108   | 1,259,568   |
| 6            | 2,500 HP - 2,999 HP           | 0      | 0            |             |      |      |                   |                                            |      |              |      | 1,374,773   | 1,408,311   |
| 7            | 3,000 HP - 3,599 HP           | 753    | 653          | 25.9        | 26.9 | 27.9 | 174.5             |                                            |      |              |      | 1,388,981   | 1,466,429   |
| 8            | 3,600 HP and over             | 1,873  | 1,849        | 8.4         | 9.4  | 10.4 | 200.9             |                                            |      |              |      | 1,461,336   | 1,542,819   |
| 9            | Booster                       | 73     | 58           | 26.8        | 27.8 | 28.8 | 144.8             |                                            |      |              |      | 277,591     | 293,069     |
| Grand Total: |                               | 3,419  | 3,123        |             |      |      |                   |                                            |      |              |      |             |             |

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

# Locomotive Cost Indices

| Category | GMA Horsepower Classification | Year of Last Purchase or Rebuild | Adjustment Required to 1982 Series | Adjustment Factor | Year   |        |        |        |        | Period            |                  |
|----------|-------------------------------|----------------------------------|------------------------------------|-------------------|--------|--------|--------|--------|--------|-------------------|------------------|
|          |                               |                                  |                                    |                   | 2000   | 2001   | 2002   | 2003   | 2004   | 10/1/04 - 9/30/05 | 3/1/06 - 2/28/07 |
| 1        | 999 HP and under              |                                  |                                    | 28.87             | 135.70 | 135.20 | 134.90 | 136.30 | 143.90 | 157.08            | 160.53           |
| 2        | 1,000 HP - 1,499 HP           |                                  |                                    | not calculated    | 4.70   | 4.68   | 4.67   | 4.72   | 4.98   |                   | 5.56             |
| 3        | 1,500 HP - 1,749 HP           | 1982                             | none                               | 100.00            | 1.36   | 1.35   | 1.35   | 1.36   | 1.44   |                   | 1.61             |
| 4        | 1,750 HP - 1,999 HP           | 1957                             | not calculated                     | not calculated    |        |        |        |        |        |                   | 1.81             |
| 5        | 2,000 HP - 2,499 HP           | 1980                             | 1980 to 1982                       | 90.40             | 1.50   | 1.50   | 1.49   | 1.51   | 1.59   | 1.74              | 1.78             |
| 6        | 2,500 HP - 2,999 HP           | None                             |                                    |                   |        |        |        |        |        |                   | 2.00             |
| 7        | 3,000 HP - 3,599 HP           | 1989                             | 1989 to 1982                       | 114.00            | 1.19   | 1.19   | 1.18   | 1.20   | 1.26   |                   | 1.41             |
| 8        | 3,600 HP AND OVER             | 2004                             | 2004 to 1982                       | 144.29            | 0.94   | 0.94   | 0.93   | 0.94   | 1.00   |                   | 1.11             |
| 9        | Booster                       | 1990                             | 1990 to 1982                       | 118.60            | 1.14   | 1.14   | 1.14   | 1.15   | 1.21   |                   | 1.35             |

\* Based in part on AAR RCAF forecast.

1980= 313.1 (1947=100)  
 1980= 90.4 (1982=100)  
 = 3.4635

Halls Ferry Jct. to Badin, NC -  
Milepost WF 0.0 to WF 11.11

Background Data:

Base Year:

Forecast Year:

Ending Quarter

10/04 - 09/05 2005 Q 3

03/06 - 02/07 2007 Q 1

(Numbers in red change once a year)

(Numbers in blue change for specific branch line)

Beginning Milepost:

Ending Milepost

Miles to abandon

Trips per year:

0.00

11.11

11.11

251 crew starts

Number days per week serve branch line?

Crew size?

Roundtrip mileage crew taxied

Hours required to serve line (includes switching)?

Cars - Average Days On Branch

5.0

3

0

4.22 (4' 13")

7.5

Traffic:

Orig or Term on branch

Haulage

Totals

Cars Revenue Per Car

112 \$ 251,449 \$ 2,245

173 \$ 9,541 \$ 55

285 \$ 260,990

Average MPH service on line?

Annualized Maintenance (Engineering)

Hours for loco ownership?

10

\$ 200,500

4.22

\*From WSSB (CSX)

238

**Minutes Hours Task**

66.7 1.11 11.11 miles transit @ 10 mph

90.0 1.50 switching at Badin, Whitney & Halls Ferry Jct.

30.0 0.50 Set off/on at Halls Ferry Jct.

66.7 1.11 11.11 miles transit @ 10 mph

**253.3 4.22 Total round trip time on branch**

Crew Stats:

|           | Gross earnings | Productivity | Fringe    | Add to Net | Hours attributable to branch | Total Hours/day | % on branch | Total Earnings Attributable to Branch |
|-----------|----------------|--------------|-----------|------------|------------------------------|-----------------|-------------|---------------------------------------|
| Conductor | \$ 50,320      | \$ 18,648    | \$ 22,183 | \$ 523     | 4.22                         | 8               | 53%         | \$ 48,381                             |
| Brakeman  | \$ 49,521      | \$ 20,232    | \$ 22,435 | \$ 1,651   | 4.22                         | 8               | 53%         | \$ 49,524                             |
| Engineer  | \$ 66,638      |              | \$ 21,434 | \$ 816     | 4.22                         | 8               | 53%         | \$ 46,910                             |
| Totals    | \$ 166,478     |              | \$ 66,052 | \$ 2,990   |                              |                 |             | \$ 144,814                            |

Loco Stats: (from loco master)

Category Loco Used: 5  
 Number Used: 1  
 Average Tons: 131.3  
 2005 Age: 31.2

**1. Loco Unit Hours****A. For ownership (Depreciation & ROI)**

4.222 hrs/trip \* 251 trips/yr = 1059.722 hours/year

**B. For Usage (fuel)**

4.222 hrs/trip \* 251 trips/yr = 1059.722 hours/year

**2. Loco Unit Miles****Running:**

Milepost 11.11 less MP 0 = 11.11 miles  
 11.11 miles \* 2 = 22.22 miles per round trip  
 22.22 miles \* 251 trips/yr = 5577.22 miles

**Switching:**

approx. 1 hr. 30 minutes 6 MPH \* 251 Trips/yr = 2259 miles  
 1.50 hours \*

**TOTAL:**

5577.22 + 2259 = 7836.22 LUM

**3. Loco Gross Ton Miles**

7836.22 LUM \* 131.3 tons = 1,028,896 LGTM

Halls Ferry Jct to Badin, NC - Milepost WF 0.0 to WF 11.11  
 3/21/2006

|                                                                                                                                                | NO.        | YEAR<br>10/04 - 09/05 | YEAR<br>03/06 - 02/07 | Spreadsheet/Source                                       |
|------------------------------------------------------------------------------------------------------------------------------------------------|------------|-----------------------|-----------------------|----------------------------------------------------------|
| GDP deflator adjustment:                                                                                                                       |            |                       | 3.73%                 | From GDP Deflator Spreadsheet                            |
| <b>Revenues:</b>                                                                                                                               |            |                       |                       |                                                          |
| 1 a. Freight Originated or Terminated on branch                                                                                                | 101        | \$251,449             | \$260,826             |                                                          |
| b. Haulage performed on branch                                                                                                                 | 104        | \$9,541               | 9,897                 |                                                          |
| 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)                                                                                              |            | 260,990               | 270,723               |                                                          |
| <b>Avoidable cost:</b>                                                                                                                         |            |                       |                       |                                                          |
| 5 On-branch costs (from spreadsheets)                                                                                                          |            |                       |                       |                                                          |
| a. Maintenance of way and structures                                                                                                           |            | 200,500               | 207,977               | From Engineering                                         |
| b. Maintenance of equipment                                                                                                                    |            |                       |                       |                                                          |
| 1 Locomotives:                                                                                                                                 |            |                       |                       |                                                          |
| Repairs & maintenance                                                                                                                          | 11-21-41 L | 1,838                 | 1,907                 | Loco Repairs                                             |
|                                                                                                                                                | 21-21-41 M | 3,443                 | 3,571                 | Loco Repairs                                             |
|                                                                                                                                                | 41-21-41 P | 163                   | 169                   | Loco Repairs                                             |
|                                                                                                                                                | 61-21-41 G | 1                     | 1                     | Loco Repairs                                             |
| Fringe benefits                                                                                                                                | 12-21-00 G | 693                   | 719                   | Loco Repairs                                             |
| Depreciation                                                                                                                                   | 62-21-00 G | 0                     | 0                     | Loco Depreciation                                        |
| Total Locomotives                                                                                                                              |            | 6,138                 | 6,367                 |                                                          |
| 2 Other                                                                                                                                        |            | 0                     | 0                     |                                                          |
| Total Equipment                                                                                                                                |            | 6,138                 | 6,367                 |                                                          |
| c. Transportation                                                                                                                              |            |                       |                       |                                                          |
| 1 Train operations                                                                                                                             |            |                       |                       |                                                          |
| Engine crews                                                                                                                                   | 11-31-56 L | 46,910                | 48,659                | Transportation                                           |
|                                                                                                                                                | 21-31-56 M | 0                     | 0                     | Crew Materials                                           |
| Train crews                                                                                                                                    | 11-31-57 L | 97,904                | 101,555               | Transportation                                           |
|                                                                                                                                                | 21-31-57 M | 12                    | 12                    | Crew Materials                                           |
| Train inspect. & lubr.                                                                                                                         | 11-31-62 L | 436                   | 452                   | Crew Materials                                           |
|                                                                                                                                                | 21-31-62 M | 1                     | 1                     | Crew Materials                                           |
| Locomotive fuel                                                                                                                                |            | 46,984                | 48,736                | Loco Fuel                                                |
| Servicing locomotives                                                                                                                          | 11-31-69 L | 757                   | 785                   | Loco Service                                             |
|                                                                                                                                                | 21-31-69 M | 358                   | 371                   | Loco Service                                             |
|                                                                                                                                                | 41-31-69 P | 204                   | 212                   | Loco Service                                             |
|                                                                                                                                                | 61-31-69 G | 0                     | 0                     | Loco Service                                             |
| Fringe benefits                                                                                                                                | 12-31-00 G | 0                     | 0                     | Included in labor                                        |
| Total transportation                                                                                                                           |            | 193,566               | 200,783               |                                                          |
| 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)                                                                                       |            | 6,586                 | 6,831                 | Car Cost                                                 |
| h. Return on value - locomotives                                                                                                               |            | 0                     | 0                     | Loco ROI                                                 |
| i. Return on value - freight cars                                                                                                              |            | 9,540                 | 9,895                 | Car Cost                                                 |
| j. Revenue taxes                                                                                                                               |            | 0                     | 0                     |                                                          |
| k. Property taxes                                                                                                                              |            | 0                     | 0                     |                                                          |
| l. Total (Lines 5a through 5k)                                                                                                                 |            | 416,330               | 431,853               |                                                          |
| m. Holding gain (loss)-locomotives                                                                                                             |            |                       | 0                     | Loco Holding                                             |
| n. Holding gain (loss)-freight cars                                                                                                            |            |                       | 2,819                 | Car Cost                                                 |
| o. Net on-branch costs (Lines 5l-(5m+5n))                                                                                                      |            | 416,330               | 429,034               |                                                          |
| 6 Off-branch costs                                                                                                                             |            |                       |                       |                                                          |
| a. Off-branch costs (other than return on freight cars)                                                                                        |            | 203,746               | 211,344               | Cost Dept.                                               |
| b. Return on value - freight cars                                                                                                              |            | (205)                 | (213)                 | Cost Dept.                                               |
| c. Holding gain (loss)-freight cars                                                                                                            |            |                       | (24)                  | Cost Dept.                                               |
| d. Net off-branch costs (a+b-c)                                                                                                                |            | 203,541               | 211,165               |                                                          |
| 7 Total avoidable costs (Line 5o + 6d)                                                                                                         |            | 619,871               | 640,189               |                                                          |
| <b>Subsidization costs:</b>                                                                                                                    |            |                       |                       |                                                          |
| 8 Rehabilitation                                                                                                                               |            |                       | 516,602               | Rehabilitation from Milepost WF 0.0 to Milepost WF 5.80. |
| 9 Administrative costs                                                                                                                         |            |                       | 0                     |                                                          |
| 10 Casualty reserve account                                                                                                                    |            |                       | 0                     |                                                          |
| 11 Total subsidization costs (Lines 8 thru 10)                                                                                                 |            |                       | 516,602               |                                                          |
| 12 Valuation of road properties (Lines 12a thru 12c)                                                                                           |            |                       |                       |                                                          |
| (a) Working capital                                                                                                                            |            |                       | 17,651                | Working Capital                                          |
| (b) Income tax consequences                                                                                                                    |            |                       | 0                     | Working Capital                                          |
| (c) Net liquidation value                                                                                                                      |            |                       | 0                     | Working Capital                                          |
| Total valuation of properties                                                                                                                  |            |                       | 17,651                | Working Capital                                          |
| 13 Nominal rate of return                                                                                                                      |            |                       | 14.87%                | Pre Tax nominal rate                                     |
| 14 Nominal return on value (Line 12 * Line 13)                                                                                                 |            |                       | 2,625                 |                                                          |
| 15 Holding gain (loss) on road properties                                                                                                      |            |                       | 0                     |                                                          |
| 16 Return on value (Line 14-15)                                                                                                                |            |                       | 2,625                 |                                                          |
| 17 Avoidable loss (profit) from operations (Line 7 - 4)<br>(excludes nominal return on value and opportunity cost, which are avoidable costs). |            | 358,881               | 369,466               |                                                          |
| 18 Avoidable Loss Including Return on Value (Line 4-7+16)                                                                                      |            |                       | 372,091               |                                                          |
| 19 Avoidable Loss Including Subsidization Costs and Return on Value<br>(Line 4-7+11+16)                                                        |            |                       | 888,693               |                                                          |
| Halls Ferry Jct. to Badin, NC - Milepost WF 0.0 to WF 11.11                                                                                    |            | 3/21/2006             |                       |                                                          |

**LOCOMOTIVE RETURN ON INVESTMENT**  
**Halls Ferry Jct. to Badin, NC - Milepost WF**
**Base Year**  
**10/04 - 09/05**  
 -----

 GMA'S LOCO  
 CAT 5  
 -----

|                                                      |            |
|------------------------------------------------------|------------|
| A. SYSTEM LOCO UNIT HOURS                            | 10,817,203 |
| B. SYSTEM LOCO UNITS                                 | 3,291.5    |
| C. SYS LOCO UNIT HRS./LOCO UNIT<br>(LINE A / LINE B) | 3,286      |

|                     |             |
|---------------------|-------------|
| D. REPLACEMENT COST | \$1,374,773 |
|---------------------|-------------|

|                                             |          |
|---------------------------------------------|----------|
| E. DEPRECIATION RATE                        | 3.58%    |
| F. ANNUAL DEPRECIATION<br>(LINE D x LINE E) | \$49,217 |

|             |      |
|-------------|------|
| G. LOCO AGE | 31.2 |
|-------------|------|

|                                                  |             |
|--------------------------------------------------|-------------|
| H. ACCUMULATED DEPRECIATION<br>(LINE F x LINE G) | \$1,535,570 |
|--------------------------------------------------|-------------|

|                                        |     |
|----------------------------------------|-----|
| I. NET INVESTMENT<br>(LINE D - LINE H) | \$0 |
|----------------------------------------|-----|

|                    |  |
|--------------------|--|
| J. COST OF CAPITAL |  |
|--------------------|--|

|                                    |     |
|------------------------------------|-----|
| K. ANNUAL ROI<br>(LINE I x LINE J) | \$0 |
|------------------------------------|-----|

|                                            |   |
|--------------------------------------------|---|
| L. LOCO UNITS BY CATEGORY<br>(100% SAMPLE) | 1 |
|--------------------------------------------|---|

|                               |   |
|-------------------------------|---|
| M. TOTAL LOCO UNITS IN SAMPLE | 1 |
|-------------------------------|---|

|                                                      |      |
|------------------------------------------------------|------|
| N. RATIO LOCO UNITS BY CATEGORY<br>(LINE L / LINE M) | 1.00 |
|------------------------------------------------------|------|

|                              |          |
|------------------------------|----------|
| O. LOCO UNIT HOURS ON BRANCH | 1059.722 |
|------------------------------|----------|

|                                                                       |        |
|-----------------------------------------------------------------------|--------|
| P. LOCO UNIT HOURS ON BRANCH<br>BY LOCO CATEGORY<br>(LINE N x LINE O) | 1060.0 |
|-----------------------------------------------------------------------|--------|

|                                                                                                 |       |
|-------------------------------------------------------------------------------------------------|-------|
| Q. RATIO LOCO UNIT HOURS ON BRANCH<br>TO SYS LOCO UNIT HOURS<br>PER LOCO UNIT (LINE P / LINE C) | 0.323 |
|-------------------------------------------------------------------------------------------------|-------|

|                                              |     |
|----------------------------------------------|-----|
| R. ANNUAL ROI ON BRANCH<br>(LINE K x LINE Q) | \$0 |
|----------------------------------------------|-----|

|                                         |     |
|-----------------------------------------|-----|
| S. TOTAL ROI<br>(SUM OF LINE R AMOUNTS) | \$0 |
|-----------------------------------------|-----|

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

Halls Ferry Jct. to Badin, NC - Milepost WF 0.0 to WF 11.11  
3/21/2006

Forecast Year  
03/06 - 02/07

GMA'S LOCO  
CAT 5

|                                                      |            |
|------------------------------------------------------|------------|
| A. SYSTEM LOCO UNIT HOURS                            | 10,817,203 |
| B. SYSTEM LOCO UNITS                                 | 3,292      |
| C. SYS LOCO UNIT HRS./LOCO UNIT<br>(LINE A / LINE B) | 3,286      |

|                     |             |
|---------------------|-------------|
| D. REPLACEMENT COST | \$1,584,998 |
|---------------------|-------------|

|                      |       |
|----------------------|-------|
| E. DEPRECIATION RATE | 3.58% |
|----------------------|-------|

|                                             |          |
|---------------------------------------------|----------|
| F. ANNUAL DEPRECIATION<br>(LINE D x LINE E) | \$56,743 |
|---------------------------------------------|----------|

|             |      |
|-------------|------|
| G. LOCO AGE | 32.2 |
|-------------|------|

|                                                  |             |
|--------------------------------------------------|-------------|
| H. ACCUMULATED DEPRECIATION<br>(LINE F x LINE G) | \$1,827,125 |
|--------------------------------------------------|-------------|

|                                        |     |
|----------------------------------------|-----|
| I. NET INVESTMENT<br>(LINE D - LINE H) | \$0 |
|----------------------------------------|-----|

|                    |        |
|--------------------|--------|
| J. COST OF CAPITAL | 14.87% |
|--------------------|--------|

|                                    |     |
|------------------------------------|-----|
| K. ANNUAL ROI<br>(LINE I x LINE J) | \$0 |
|------------------------------------|-----|

|                                            |   |
|--------------------------------------------|---|
| L. LOCO UNITS BY CATEGORY<br>(100% SAMPLE) | 1 |
|--------------------------------------------|---|

|                               |   |
|-------------------------------|---|
| M. TOTAL LOCO UNITS IN SAMPLE | 1 |
|-------------------------------|---|

|                                                      |      |
|------------------------------------------------------|------|
| N. RATIO LOCO UNITS BY CATEGORY<br>(LINE L / LINE M) | 1.00 |
|------------------------------------------------------|------|

|                              |          |
|------------------------------|----------|
| O. LOCO UNIT HOURS ON BRANCH | 1059.722 |
|------------------------------|----------|

|                                                                       |        |
|-----------------------------------------------------------------------|--------|
| P. LOCO UNIT HOURS ON BRANCH<br>BY LOCO CATEGORY<br>(LINE N x LINE O) | 1060.0 |
|-----------------------------------------------------------------------|--------|

|                                                                                                 |       |
|-------------------------------------------------------------------------------------------------|-------|
| Q. RATIO LOCO UNIT HOURS ON BRANCH<br>TO SYS LOCO UNIT HOURS<br>PER LOCO UNIT (LINE P / LINE C) | 0.323 |
|-------------------------------------------------------------------------------------------------|-------|

|                                              |     |
|----------------------------------------------|-----|
| R. ANNUAL ROI ON BRANCH<br>(LINE K x LINE Q) | \$0 |
|----------------------------------------------|-----|

|                                         |     |
|-----------------------------------------|-----|
| S. TOTAL ROI<br>(SUM OF LINE R AMOUNTS) | \$0 |
|-----------------------------------------|-----|

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

Halls Ferry Jct. to Badin, NC - Milepost WF 0.0 to WF 11.11  
3/21/2006

## LOCOMOTIVE DEPRECIATION

Halls Ferry Jct. to Badin, NC - Milepost WF 0.0 to WF 11.11

|                                                                                                 | Base Year<br>10/04 - 09/05<br>----- |
|-------------------------------------------------------------------------------------------------|-------------------------------------|
|                                                                                                 | GMA'S LOCO<br>CAT 5<br>-----        |
| A. SYSTEM LOCO UNIT HOURS                                                                       | 10,817,203                          |
| B. SYSTEM LOCO UNITS                                                                            | 3,292                               |
| C. SYS LOCO UNIT HRS./LOCO UNIT<br>(LINE A / LINE B)                                            | 3,286                               |
| D. REPLACEMENT COST                                                                             | \$1,374,773                         |
| E. DEPRECIATION RATE                                                                            | 3.58%                               |
| F. ANNUAL DEPRECIATION<br>(LINE D x LINE E)                                                     | \$0                                 |
| G. LOCO UNITS BY CATEGORY<br>(100% SAMPLE)                                                      | 1                                   |
| H. TOTAL LOCO UNITS IN SAMPLE                                                                   | 1                                   |
| I. RATIO LOCO UNITS BY CATEGORY<br>(LINE G / LINE H)                                            | 1.0                                 |
| J. LOCO UNIT HOURS ON BRANCH                                                                    | 1,060                               |
| K. LOCO UNIT HOURS ON BRANCH<br>BY LOCO CATEGORY<br>(LINE I x LINE J)                           | 1,060                               |
| L. RATIO LOCO UNIT HOURS ON BRANCH<br>TO SYS LOCO UNIT HOURS<br>PER LOCO UNIT (LINE K / LINE C) | 0.323                               |
| M. ANNUAL DEPRECIATION ON BRANCH<br>(LINE F x LINE L)                                           | \$0                                 |
| N. TOTAL DEPRECIATION<br>(SUM OF LINE M AMOUNTS)                                                | \$0                                 |

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

Halls Ferry Jct. to Badin, NC - Milepost WF 0.0 to WF 11.11  
3/21/2006

## LOCOMOTIVE DEPRECIATION

Halls Ferry Jct. to Badin, NC - Milepost WF 0.0 to WF 11.11

Forecast Year  
03/06 - 02/07  
-----GMA'S LOCO  
CAT 5  
-----

|                                                                                                 |             |
|-------------------------------------------------------------------------------------------------|-------------|
| A. SYSTEM LOCO UNIT HOURS                                                                       | 10,817,203  |
| B. SYSTEM LOCO UNITS                                                                            | 3,292       |
| C. SYS LOCO UNIT HRS./LOCO UNIT<br>(LINE A / LINE B)                                            | 3,286       |
| D. REPLACEMENT COST                                                                             | \$1,584,998 |
| E. DEPRECIATION RATE                                                                            | 3.58%       |
| F. ANNUAL DEPRECIATION<br>(LINE D x LINE E)                                                     | \$0         |
| G. LOCO UNITS BY CATEGORY<br>(100% SAMPLE)                                                      | 1           |
| H. TOTAL LOCO UNITS IN SAMPLE                                                                   | 1           |
| I. RATIO LOCO UNITS BY CATEGORY<br>(LINE G / LINE H)                                            | 1.0         |
| J. LOCO UNIT HOURS ON BRANCH                                                                    | 1,060       |
| K. LOCO UNIT HOURS ON BRANCH<br>BY LOCO CATEGORY<br>(LINE I x LINE J)                           | 1,060       |
| L. RATIO LOCO UNIT HOURS ON BRANCH<br>TO SYS LOCO UNIT HOURS<br>PER LOCO UNIT (LINE K / LINE C) | 0.323       |
| M. ANNUAL DEPRECIATION ON BRANCH<br>(LINE F x LINE L)                                           | \$0         |
| N. TOTAL DEPRECIATION<br>(SUM OF LINE M AMOUNTS)                                                | \$0         |

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 &amp; ENGINE) AND TRAIN INSPECTION AND LUBRICATION

Halls Ferry Jct. to Badin, NC - Milepost WF 0.0 to WF 11.11

Base Year  
10/04 - 09/05

|                                                              | ENGINE<br>CREW<br>MATERIAL<br>(21-31-56) | TRAIN<br>CREW<br>MATERIAL<br>(21-31-57) | TRAIN INSPECTION<br>& LUBRICATION |                         |
|--------------------------------------------------------------|------------------------------------------|-----------------------------------------|-----------------------------------|-------------------------|
|                                                              |                                          |                                         | WAGES<br>(11-31-62)               | MATERIALS<br>(21-31-62) |
| A. SYSTEM EXPENSES                                           | \$56,000                                 | \$1,520,000                             | \$53,624,000                      | \$161,000               |
| B. CAR MILE PORTION RATIO                                    | 69%                                      | 69%                                     | 69%                               | 69%                     |
| C. SYSTEM CAR MILE EXPENSES<br>(LINE A x LINE B)             | \$38,640                                 | \$1,048,800                             | \$37,000,560                      | \$111,090               |
| D. SYSTEM CAR MILES L & E<br>(RR OWN & LEA, PVT & NO PAY MI) | 4,655,590,000                            | 4,655,590,000                           | 4,655,590,000                     | 4,655,590,000           |
| E. SYSTEM EXPENSES PER CAR MILE L/E<br>(LINE C / LINE D)     | \$0.0000083                              | \$0.0002253                             | \$0.0079476                       | \$0.0000239             |
| F. BRANCH CAR MILES L & E                                    | 6,333                                    | 6,333                                   | 6,333                             | 6,333                   |
| G. BRANCH CAR MILE EXPENSES<br>(LINE E x LINE F)             | \$0                                      | \$1                                     | \$50                              | \$0                     |
| H. CARLOAD PORTION RATIO                                     | 31%                                      | 31%                                     | 31%                               | 31%                     |
| I. SYSTEM CAR LOAD EXPENSES<br>(LINE A x LINE H)             | \$17,360                                 | \$471,200                               | \$16,623,440                      | \$49,910                |
| J. SYSTEM CARLOADS (QCS-COST DEPT)                           | 12,273,466                               | 12,273,466                              | 12,273,466                        | 12,273,466              |
| K. SYSTEM EXPENSES PER CARLOAD<br>(LINE I / LINE J)          | \$0.00141                                | \$0.03839                               | \$1.35442                         | \$0.00407               |
| L. BRANCH CARLOADS                                           | 285                                      | 285                                     | 285                               | 285                     |
| M. BRANCH CARLOAD EXPENSES<br>(LINE K x LINE L)              | \$0                                      | \$11                                    | \$386                             | \$1                     |
| TOTAL EXPENSES<br>(LINE G + LINE M)                          | \$0                                      | \$12                                    | \$436                             | \$1                     |

Loco Service

**SERVICING LOCOMOTIVES**

Halls Ferry Jct. to Badin, NC - Milepost WF 0.0 to WF 11.11

|                                                                     | Base Year<br>10/04 - 09/05<br>----- |
|---------------------------------------------------------------------|-------------------------------------|
| A. BRANCH LOCO UNIT MILES                                           | 7,836                               |
| B. SYSTEM LOCO UNIT MILES                                           | 174,442,542                         |
| C. RATIO (LINE A/ LINE B)                                           | 0.000045                            |
| D. SYSTEM LABOR EXPENSE<br>(ACC 11-31-69) (R-1, Sch. 410, Line 411) | \$16,857,000                        |
| E. BRANCH LABOR EXPENSE<br>(LINE C x LINE D)                        | \$757                               |
| F. SYSTEM MATERIAL EXPENSE<br>(ACC 21-31-69)                        | \$7,966,000                         |
| G. BRANCH MATERIAL EXPENSE<br>(LINE C x LINE F)                     | \$358                               |
| H. SYSTEM PURCHASED EXPENSE<br>(ACC 41-31-69)                       | \$4,532,000                         |
| I. BRANCH PURCHASED EXPENSE<br>(LINE C x LINE H)                    | \$204                               |
| J. SYSTEM GENERAL EXPENSE<br>(ACC 61-31-69)                         | \$0                                 |
| K. BRANCH GENERAL EXPENSE<br>(LINE C x LINE J)                      | \$0                                 |

Halls Ferry Jct. to Badin, NC - Milepost WF 0.0 to WF 11.11  
3/21/2006

# Loco Repairs

## LOCOMOTIVE REPAIRS AND MAINTENANCE

Halls Ferry Jct. to Badin, NC - Milepost WF 0.0 to WF 11.11

Base Year  
10/04 - 09/05  
-----

|                                                   |                |
|---------------------------------------------------|----------------|
| A. BRANCH TONS PER UNIT                           | 131            |
| B. BRANCH LOCO UNIT MILES                         | 7,836          |
| C. BRANCH LOCO GTM<br>(LINE A x LINE B)           | 1,028,896      |
| D. SYSTEM LOCO GTM                                | 31,979,527,000 |
| E. RATIO (LINE C / LINE D)                        | 0.000032       |
| F. RATIO ROAD PORTION                             | 0.929          |
| G. SYSTEM LABOR EXPENSE<br>(ACC 11-21-41)         | \$61,530,000   |
| H. BRANCH LABOR EXPENSE<br>(LINE'S E x F x G)     | \$1,838        |
| I. SYSTEM MATERIAL EXPENSE<br>(ACC 21-21-41)      | \$115,262,000  |
| J. BRANCH MATERIAL EXPENSE<br>(LINE'S E x F x I)  | \$3,443        |
| K. SYSTEM PURCHASED EXPENSE<br>(ACC 41-21-41)     | \$5,442,000    |
| L. BRANCH PURCHASED EXPENSE<br>(LINE'S E x F x K) | \$163          |
| M. SYSTEM GENERAL EXPENSE<br>(ACC 61-21-41)       | \$43,000       |
| N. BRANCH GENERAL EXPENSE<br>(LINE'S E x F x M)   | \$1            |
| O. FRINGE RATE                                    | 37.71%         |
| P. TOTAL FRINGES<br>(LINE H x LINE O)             | \$693          |

Halls Ferry Jct. to Badin, NC - Milepost WF 0.0 to WF 11.11  
3/21/2006

## LOCOMOTIVE FUEL

Halls Ferry Jct. to Badin, NC - Milepost WF 0.0 to WF 11.11

Base Year  
10/04 - 09/05-----  
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)

1.246

E. FUEL EXPENSE PER LOCO UNIT HR.  
(LINE C x D)

\$44.34

F. LOCO UNITS BY CATEGORY  
(20% SAMPLE)

1

G. TOTAL LOCO UNITS IN SAMPLE

1

H. RATIO LOCO UNITS BY CATEGORY  
(LINE F / LINE G)

1.00

I. TOTAL LOCO UNIT HOURS  
ON BRANCH

1,060

J. LOCO UNIT HOURS ON BRANCH  
BY LOCO CATEGORY  
(LINE H x LINE I)

1,060

K. FUEL EXPENSES BY CATEGORY  
(LINE E x LINE J)

\$46,984

L. TOTAL FUEL EXPENSES  
(SUM OF LINE K AMOUNTS)

\$46,984

Halls Ferry Jct. to Badin, NC - Milepost WF 0.0 to WF 11.11  
3/21/2006

# Working Capital

Halls Ferry Jct. to Badin, NC - Milepost WF 0.0 to WF 11.11

| Working Capital                                                                     | 03/06 - 02/07    |
|-------------------------------------------------------------------------------------|------------------|
|                                                                                     | Forecast<br>Year |
| On branch avoidable cost                                                            | 431,853          |
| less loco dep                                                                       | 0                |
| less frt car dep                                                                    | 1,332            |
| subtotal                                                                            | 430,521          |
| @ 15 days on branch cash avoidable cost (provision 49 CFR 1152.34)<br>15/365= 0.041 |                  |
| Working Capital                                                                     | 17,651           |

## Income Tax Consequences

NLV \* 37% Tax Rate

Present (begin forecast year) NLV = 0

End of Forecast Year NLV = 0 \* 37% =

Holding gain road properties 0

Opportunity cost 0

0 Nominal opportunity cost

0 Income tax consequences

Halls Ferry Jct. to Badin, NC - Milepost WF 0.0 to WF 11.11

3/21/2006

**LOCOMOTIVE RETURN ON INVESTMENT  
LESS HOLDING GAIN(LOSS)**

Halls Ferry Jct. to Badin, NC - Milepost WF 0.0 to WF 11.11

FORECAST YEAR  
GMA'S LOCO  
CAT 5

|                                                                   |            |
|-------------------------------------------------------------------|------------|
| A. SYSTEM LOCO UNIT HOURS                                         | 10,817,203 |
| B. SYSTEM LOCO UNITS                                              | 3,292      |
| C. SYS LOCO UNIT HRS./LOCO UNIT<br>(LINE A / LINE B)              | 3,286      |
| D. REPLACEMENT COST<br>(END OF FORECAST YEAR)                     | 1,584,998  |
| E. REPLACEMENT COST<br>(BEGINNING OF FORECAST YEAR)               | 1,374,773  |
| F. HOLDING GAIN(LOSS) AT REPLACEMENT<br>(LINE D - LINE E)         | 210,225    |
| G. TOTAL YEARS DEPRECIATION<br>( 100% / 3.86% )                   | 27.9       |
| H. LOCOMOTIVE AGE                                                 | 32.2       |
| I. NET BASE INVESTMENT YEARS<br>(LINE G - LINE H)                 | 0.0        |
| J. REPL. LESS DEPR. ADJUSTMENT RATIO<br>(LINE I / LINE G)         | 0.000      |
| K. HOLDING GAIN(LOSS) AT REPL. LESS DEPR.<br>(LINE F x LINE J)    | 0          |
| L. LOCO UNITS BY CATEGORY                                         | 1          |
| M. TOTAL LOCO UNITS IN SAMPLE                                     | 1          |
| N. RATIO LOCO UNITS BY CATEGORY<br>(LINE L / LINE M)              | 1.0        |
| O. LOCO UNIT HOURS ON BRANCH                                      | 1059.722   |
| P. LOCO UNIT HOURS ON BRANCH BY LOCO CAT<br>(LINE N x LINE O)     | 1059.722   |
| Q. RATIO LUH ON BR. TO SYS LUH<br>PER LOCO UNIT (LINE P / LINE C) | 0.322      |
| R. HOLDING GAIN(LOSS) BY LOCO CAT.<br>(LINE K x LINE Q)           | 0          |
| S. HOLDING GAIN(LOSS)<br>(SUM OF LINE R AMOUNTS)                  | 0          |
| T. RETURN ON INVESTMENT<br>(SEE BASE YEAR ROI SHEET)              | 0          |
| U. ROI MINUS HOLDING GAIN(LOSS)<br>(LINE T - LINE S)              | 0          |

Halls Ferry Jct. to Badin, NC - Milepost WF 0.0 to WF 11.11  
3/21/2006

CAR COST (DAILY)  
Halls Ferry Jct. to Badin, NC - Milepost WF 0.0 to WF 11.11

| CAR DESCRIPTION            | AAR<br>CAR<br>TYPE | (1)<br>ICC<br>CAR<br>GROUP | (2)<br>NUMBER<br>OF<br>CARS | (3)<br>AVG. CAR<br>DAYS ON-<br>BRANCH<br>PER CAR | (4)<br>CAR DAYS<br>ON<br>BRANCH<br>(COL 2x3) | A                                                |                                                      | C                                   |                                         | D                                    |                                           | G                                               |
|----------------------------|--------------------|----------------------------|-----------------------------|--------------------------------------------------|----------------------------------------------|--------------------------------------------------|------------------------------------------------------|-------------------------------------|-----------------------------------------|--------------------------------------|-------------------------------------------|-------------------------------------------------|
|                            |                    |                            |                             |                                                  |                                              | (5)<br>COST PER<br>CAR DAY<br>(REPAIR<br>& DEPR) | (6)<br>DAILY COST<br>(REPAIR<br>& DEPR)<br>(COL 4x5) | (7)<br>COST PER<br>CAR DAY<br>(ROI) | (8)<br>DAILY COST<br>(ROI)<br>(COL 4x7) | (9)<br>COST PER<br>CAR DAY<br>(DEPR) | (10)<br>DAILY COST<br>(DEPR)<br>(COL 4x9) | (11)<br>HOLDING<br>GAIN(LOSS)<br>PER<br>CAR DAY |
| Box-plain 40               | B                  | 01                         | 0                           | 7.5                                              | 0                                            |                                                  | \$0                                                  |                                     | \$0                                     |                                      | \$0                                       |                                                 |
| Box-plain 50               | B                  | 02                         | 26                          | 7.5                                              | 195                                          |                                                  | \$0                                                  |                                     | \$0                                     |                                      | \$0                                       |                                                 |
|                            | B                  | PVT2                       | 0                           | N/A                                              | 0                                            |                                                  | \$0                                                  |                                     | \$0                                     |                                      | \$0                                       |                                                 |
| Box-equipped               | A                  | 03                         | 70                          | 7.5                                              | 525                                          | \$10,9960                                        | \$5,773                                              | \$16,1410                           | \$8,474                                 | \$2,1520                             | \$1,130                                   | \$4.77                                          |
| Gondola-plain              | G/J                | 04                         | 0                           | 7.5                                              | 0                                            | \$2,5960                                         | \$0                                                  | \$13,4310                           | \$0                                     | \$4,7000                             | \$0                                       | \$3.97                                          |
| Gondola-equipped           | E                  | 05                         | 0                           | 7.5                                              | 0                                            | \$2,1630                                         | \$0                                                  | \$15,9110                           | \$0                                     | \$0,0690                             | \$0                                       | \$4.70                                          |
| Hopper-covered             | C                  | 06                         | 16                          | 7.5                                              | 120                                          | \$5,7420                                         | \$689                                                | \$8,8800                            | \$1,066                                 | \$0,9370                             | \$112                                     | \$2.62                                          |
|                            | C                  | PVT6                       | 0                           | N/A                                              | 0                                            |                                                  | \$0                                                  |                                     | \$0                                     |                                      | \$0                                       |                                                 |
| Hopper-open top GS         | H                  | 07                         | 0                           | 7.5                                              | 0                                            | \$4,2670                                         | \$0                                                  | \$14,4970                           | \$0                                     | \$3,4040                             | \$0                                       | \$4.28                                          |
| Hopper-open S S            | C/J/K              | 08                         | 0                           | 7.5                                              | 0                                            | \$5,0110                                         | \$0                                                  | \$19,0100                           | \$0                                     | \$2,9420                             | \$0                                       | \$5.62                                          |
| Reefer-mechanical          | R                  | 09                         | 0                           | 7.5                                              | 0                                            | \$26,2120                                        | \$0                                                  |                                     | \$0                                     |                                      | \$0                                       |                                                 |
| Reefer-non mech            | R                  | 10                         | 0                           | 7.5                                              | 0                                            | \$15,7670                                        | \$0                                                  | \$12,0000                           | \$0                                     | \$2,8870                             | \$0                                       | \$3.55                                          |
| Flat-TOFC/COFC             | P                  | 11                         | 0                           | 7.5                                              | 0                                            |                                                  | \$0                                                  |                                     | \$0                                     |                                      | \$0                                       |                                                 |
| Flat-multi level           | V                  | 12                         | 0                           | 7.5                                              | 0                                            | \$97,2140                                        | \$0                                                  | \$7,3220                            | \$0                                     | (\$0,1730)                           | \$0                                       | \$2.16                                          |
| Flat-gen service           | F                  | 13                         | 0                           | 7.5                                              | 0                                            | \$0,8640                                         | \$0                                                  | \$15,4460                           | \$0                                     | \$3,0930                             | \$0                                       | \$4.56                                          |
| Flat-other                 | F                  | 14                         | 0                           | 7.5                                              | 0                                            | \$12,2530                                        | \$0                                                  | \$10,0530                           | \$0                                     | \$1,7270                             | \$0                                       | \$2.97                                          |
|                            | F                  | PVT14                      | 0                           | N/A                                              | 0                                            |                                                  | \$0                                                  |                                     | \$0                                     |                                      | \$0                                       |                                                 |
| Tank-Under 22,000 gals.    | T                  | 15                         | 0                           | N/A                                              | 0                                            |                                                  | \$0                                                  |                                     | \$0                                     |                                      | \$0                                       |                                                 |
| Tank-22,000 gals. and over | T                  | 16                         | 0                           | N/A                                              | 0                                            |                                                  | \$0                                                  |                                     | \$0                                     |                                      | \$0                                       |                                                 |
| All Other Cars             | F/L/M/S            | 17                         | 0                           | 7.5                                              | 0                                            | \$2,7803                                         | \$0                                                  | \$12,2410                           | \$0                                     | \$2,1747                             | \$0                                       | \$3.62                                          |
|                            | F/L/M/S            | PVT17                      | 0                           | N/A                                              | 0                                            |                                                  | \$0                                                  |                                     | \$0                                     |                                      | \$0                                       |                                                 |
| TOTAL                      |                    |                            | 112                         |                                                  |                                              |                                                  | \$6,462                                              |                                     | \$9,540                                 |                                      | \$1,242                                   |                                                 |
|                            |                    |                            |                             |                                                  |                                              |                                                  | (REPAIR<br>& DEPR)                                   |                                     | (ROI)                                   |                                      | (DEPR)                                    | (HO)                                            |

CAR COST (MILEAGE)  
Halls Ferry Jct. to Badin, NC - Milepost WF 0.0 to WF 11.11  
0

| CAR DESCRIPTION             | AAR<br>CAR<br>TYPE | ICC<br>CAR<br>GROUP | (1) | (2)                  | (3)                            | (4)                            | LD & MTY<br>CAR MI.<br>ON<br>BRANCH<br>(COL. 3x4) | B.F<br>(6)                               | (7)                                                 | E<br>(8)                     | (9)                                     |
|-----------------------------|--------------------|---------------------|-----|----------------------|--------------------------------|--------------------------------|---------------------------------------------------|------------------------------------------|-----------------------------------------------------|------------------------------|-----------------------------------------|
|                             |                    |                     |     |                      |                                |                                |                                                   |                                          |                                                     |                              |                                         |
|                             |                    |                     |     | NUMBER<br>OF<br>CARS | LOADED<br>CAR MI.<br>ON BRANCH | RATIO<br>LOADED<br>TO<br>EMPTY |                                                   | COST<br>PER CAR/MI<br>(REPAIR<br>& DEPR) | MILEAGE<br>COST<br>(REPAIR<br>& DEPR)<br>(COL. 5x6) | COST PER<br>CAR/MI<br>(DEPR) | MILEAGE<br>COST<br>(DEPR)<br>(COL. 5x8) |
| Box-plain 40                | B                  | 01                  |     | 0                    | 0                              | 2                              | 0                                                 |                                          | \$0                                                 |                              | \$0                                     |
| Box-plain 50                | B                  | 02                  |     | 26                   | 289                            | 2                              | 578                                               |                                          | \$0                                                 |                              | \$0                                     |
|                             | B                  | PVT2                |     | 0                    | 0                              | 2                              | 0                                                 |                                          | \$0                                                 |                              | \$0                                     |
| Box-equipped                | A                  | 03                  |     | 70                   | 778                            | 2                              | 1,555                                             | \$0.0670                                 | \$104                                               | \$0.0240                     | \$37                                    |
| Gondola-plain               | G/J                | 04                  |     | 0                    | 0                              | 2                              | 0                                                 | \$0.0590                                 | \$0                                                 | \$0.0460                     | \$0                                     |
| Gondola-equipped            | E                  | 05                  |     | 0                    | 0                              | 2                              | 0                                                 | \$0.0220                                 | \$0                                                 | \$0.0010                     | \$0                                     |
| Hopper-covered              | C                  | 06                  |     | 16                   | 178                            | 2                              | 356                                               | \$0.0550                                 | \$20                                                | \$0.0120                     | \$4                                     |
|                             | C                  | PVT6                |     | 0                    | 0                              | 2                              | 0                                                 | \$0.0639                                 | \$0                                                 |                              | \$0                                     |
| Hopper-open top GS          | H                  | 07                  |     | 0                    | 0                              | 2                              | 0                                                 | \$0.0610                                 | \$0                                                 | \$0.0480                     | \$0                                     |
| Hopper-open S S             | C/J/K              | 08                  |     | 0                    | 0                              | 2                              | 0                                                 | \$0.0840                                 | \$0                                                 | \$0.0520                     | \$0                                     |
| Reefer-mechanical           | R                  | 09                  |     | 0                    | 0                              | 2                              | 0                                                 | \$0.1200                                 | \$0                                                 |                              | \$0                                     |
| Reefer-non mech             | R                  | 10                  |     | 0                    | 0                              | 2                              | 0                                                 | \$0.0910                                 | \$0                                                 | \$0.0260                     | \$0                                     |
| Flat-TOFC/COFC              | P                  | 11                  |     | 0                    | 0                              | 2                              | 0                                                 | \$0.1200                                 | \$0                                                 | \$0.0060                     | \$0                                     |
| Flat-multi level            | V                  | 12                  |     | 0                    | 0                              | 2                              | 0                                                 | \$0.1100                                 | \$0                                                 | \$0.1090                     | \$0                                     |
| Flat-gen service            | F                  | 13                  |     | 0                    | 0                              | 2                              | 0                                                 | \$0.0630                                 | \$0                                                 | \$0.0430                     | \$0                                     |
| Flat-other                  | F                  | 14                  |     | 0                    | 0                              | 2                              | 0                                                 | \$0.0710                                 | \$0                                                 | \$0.0170                     | \$0                                     |
|                             | F                  | PVT14               |     | 0                    | 0                              | 2                              | 0                                                 | \$0.3925                                 | \$0                                                 |                              | \$0                                     |
| Tank--Under 22,000 gals.    | T                  | 15                  |     | 0                    | 0                              | 2                              | 0                                                 | \$0.1335                                 | \$0                                                 |                              | \$0                                     |
| Tank--22,000 gals. and over | T                  | 16                  |     | 0                    | 0                              | 2                              | 0                                                 | \$0.2210                                 | \$0                                                 |                              | \$0                                     |
| All Other Cars              | F/L/M/S            | 17                  |     | 0                    | 0                              | 2                              | 0                                                 | \$0.0152                                 | \$0                                                 | \$0.0078                     | \$0                                     |
|                             | F/L/M/S            | PVT17               |     | 0                    | 0                              | 2                              | 0                                                 | \$0.0000                                 | \$0                                                 |                              | \$0                                     |
| TOTAL                       |                    |                     |     | 112                  | 1,244                          |                                | 2,489                                             |                                          | \$124                                               |                              | \$42                                    |

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| TOTAL - DAILY & MILEAGE     |                     |
|-----------------------------|---------------------|
| REPAIRS AND DEPRECIATION    | DEPRECIATION (ONLY) |
| DAILY:                      |                     |
| \$6,462                     | \$1,242             |
| MILEAGE:                    |                     |
| \$124                       | \$42                |
| TOTAL:                      |                     |
| \$6,586                     | \$1,284             |
| HOLDING GAIN(LOSS)          |                     |
| \$2,819                     |                     |
| ROI LESS HOLDING GAIN(LOSS) |                     |
| \$6,721                     |                     |

## 2004 Railroad Cost of Capital

|                                           | Debt     | Common<br>Equity |               |
|-------------------------------------------|----------|------------------|---------------|
| 1) Nominal Cost                           | 0.053    | 0.132            |               |
| 2) Real Cost $((1+J7)/\text{deflator})-1$ | 0.026    | 0.103            |               |
| 3) Market Weight                          | 0.385    | 0.615            |               |
| 4) After Tax                              |          |                  |               |
| a. Nominal $J7*J9$                        | 0.0202   | 0.0809           | 10.11%        |
| b. Real $J8*J9$                           | 0.0098   | 0.0631           | 7.30%         |
| 5) Pre-tax (change in equity only)        |          |                  |               |
| a) Nominal $4a/(1-\text{tax rate}^*)$     | 0.0202   | 0.1285           | <b>14.87%</b> |
| b) Real $4b/(1-\text{tax rate}^*)$        | 0.015630 | 0.100209         | 11.58%        |
| 6) Holding Gain                           |          |                  | 3.29%         |

\*Assume 37% tax rate

**Gross Domestic Product Implicit Price Deflator**  
**Chain Type Index (Series 2000=100)**  
**Source: Global Insight, January-February 2006**

| UQCSS:JPGDP.Q |          | Mean for Four<br>Quarters Ending<br>this Quarter | Period Represented | Change | Spreadsheet where factor<br>is used |
|---------------|----------|--------------------------------------------------|--------------------|--------|-------------------------------------|
| 1999Q1        | 97.2740  |                                                  |                    |        |                                     |
| 1999Q2        | 97.7010  |                                                  |                    |        |                                     |
| 1999Q3        | 98.0220  |                                                  |                    |        |                                     |
| 1999Q4        | 98.4750  |                                                  |                    |        |                                     |
| 2000Q1        | 99.2920  |                                                  |                    |        |                                     |
| 2000Q2        | 99.7800  |                                                  |                    |        |                                     |
| 2000Q3        | 100.2410 |                                                  |                    |        |                                     |
| 2000Q4        | 100.6870 |                                                  |                    |        |                                     |
| 2001Q1        | 101.5070 |                                                  |                    |        |                                     |
| 2001Q2        | 102.2900 |                                                  |                    |        |                                     |
| 2001Q3        | 102.6900 |                                                  |                    |        |                                     |
| 2001Q4        | 103.1220 |                                                  |                    |        |                                     |
| 2002Q1        | 103.5530 |                                                  |                    |        |                                     |
| 2002Q2        | 103.9440 |                                                  |                    |        |                                     |
| 2002Q3        | 104.3470 |                                                  |                    |        |                                     |
| 2002Q4        | 104.9260 |                                                  |                    |        |                                     |
| 2003Q1        | 105.7240 |                                                  |                    |        |                                     |
| 2003Q2        | 106.0190 |                                                  |                    |        |                                     |
| 2003Q3        | 106.5000 |                                                  |                    |        |                                     |
| 2003Q4        | 106.9960 | 106.3087                                         | 2003               |        |                                     |
| 2004Q1        | 107.9510 |                                                  |                    |        |                                     |
| 2004Q2        | 108.9760 |                                                  |                    |        |                                     |
| 2004Q3        | 109.3710 |                                                  |                    |        |                                     |
| 2004Q4        | 110.1110 | 109.0995                                         | 2004               | 2.63%  | Cost of Capital                     |
| 2005Q1        | 110.9500 |                                                  |                    |        |                                     |
| 2005Q2        | 111.6550 |                                                  |                    |        |                                     |
| 2005Q3        | 112.5670 | 111.3171                                         | Base Year          |        |                                     |
| 2005Q4        | 113.1409 | 112.0751                                         | 2005               | 2.73%  |                                     |
| 2006Q1        | 113.9720 |                                                  |                    |        |                                     |
| 2006Q2        | 114.6474 |                                                  |                    |        |                                     |
| 2006Q3        | 115.1573 |                                                  |                    |        |                                     |
| 2006Q4        | 115.7446 | 114.8785                                         | 2006               |        |                                     |
| 2007Q1        | 116.3305 | 115.4682                                         | Forecast Year      | 3.73%  | Financial Exhibit                   |

# 2004 NSR R-1 Data

## R-1 INFORMATION 2004

### Sch 755:

|                                                | <u>FGHT</u> | <u>PSGR</u> |
|------------------------------------------------|-------------|-------------|
| A) Ln 7 Train Miles                            | 77,666,184  |             |
| B) Ln 11 Locomotive Unit Miles                 | 174,442,542 |             |
| C) Ln 12 Locomotive Unit Miles Trn Swtg        | 9,042,515   |             |
| D) Ln 98 GTM Road Locomotives (000s)           | 31,979,527  |             |
| E) Ln 115 Trn Hrs Rd Svc                       | 4,017,129   |             |
| F) Ln 116 Trn Swtg Hrs                         | 869,001     |             |
| G) (Ln 116 * 6 mph) Trn Mi Rd Trn Swtg         | 5,214,006   |             |
| H) (A+G) Total Freight Train Miles             | 82,880,190  |             |
| I) [(Ln 11+Ln12)/Item H] Loco Units per Train  | 2.21        |             |
| J) [(Ln 115+Ln 116)*Item I] Loco Units Hours   | 10,817,203  |             |
| K) Ln 117 Yard Switching Hours                 | 2,154,976   |             |
| L) Ln 13 Loco Unit Miles Yard Switching        | 13,243,542  |             |
| M) (Ln 117*6mph) Yard Switching Miles          | 12,929,856  |             |
| N) (Ln 13/Item M) Loco Units per Yard Switch   | 1.02        |             |
| O) (Ln 117*Item N) Loco Unit Hours Yard Switch | 2,207,257   |             |

2004 NSR R-1 Data

NS 2004 System Car Miles L&E

R-1, Sch 755:

|         |                        |
|---------|------------------------|
| Line 30 | 1,380,755,000 RR L     |
| Line 46 | 981,482,000 RR E       |
| Line 64 | 1,168,083,000 PVT L    |
| Line 82 | 729,610,000 PVT E      |
| Line 84 | 395,660,000 No Payment |
|         | 4,655,590,000          |

NS 2004 O&T's (excl DUP & incl TRL/CONT)

QCS 2004 L.Anderson-Acct (hardcopy only)

|             | Carloads |                 |     |            |
|-------------|----------|-----------------|-----|------------|
| Ln 48 Col B | Local    | 4,933,859 *     | 2 = | 9,867,718  |
| Ln 48 Col d | Fwd      | 555,907 *       | 1 = | 555,907    |
| Ln 48 Col f | Rc'd     | 1,849,841 *     | 1 = | 1,849,841  |
| Ln 48 Col h | Bridge   | <u>58,666</u> * | 0 = | 0          |
|             |          | 7,398,273       |     | 12,273,466 |

# 2004 NSR R-1 Data

## 2004 FRINGE BENEFITS (Sch 410)

**Note: Copy previous year fringe % in final column prior to making any changes**

|               |             | 2004         | 2004         | 2004     | 2003     |
|---------------|-------------|--------------|--------------|----------|----------|
| <u>Acc</u>    |             | Labor        | Fringes      | Fringe   | Fringe   |
| <u>Group</u>  |             | <u>(000)</u> | <u>(000)</u> | <u>%</u> | <u>%</u> |
| WS            | Run         | 118,974      | 73,141       | 61.48%   | 73.51%   |
|               | Swtg        | 7,891        | 2,706        | 34.29%   | 37.78%   |
|               | Oth         | 26,235       | 5,442        | 20.74%   | 21.65%   |
| ME            | Loco        | 75,659       | 28,533       | 37.71%   | 42.11%   |
|               | Fght Cars   | 49,247       | 15,860       | 32.21%   | 36.47%   |
|               | Oth         | 1,473        | 3,567        | 242.16%  | 352.85%  |
| Transport.    | Trn Op      | 682,410      | 219,493      | 32.16%   | 36.58%   |
|               | Yd Op       | 226,854      | 74,906       | 33.02%   | 36.63%   |
|               | Trn & Yd Op | 530          | 155          | 29.25%   | 39.66%   |
|               | SPSVCOP     | 34,288       | 5,062        | 14.76%   | 17.26%   |
|               | Admin Supp  | 31,816       | 13,873       | 43.60%   | 42.67%   |
| GA            | Gen & Admin | 12,262       | 6,332        | 51.64%   | 42.83%   |
| MWS Composite |             | 153,100      | 81,289       | 53.10%   |          |

# 2004 NSR R-1 Data

## R-1 2004 Information

### Investment in Equipment: Diesel Locomotives

|             |                |       | Beg Yr             |       | End Yr     | Avg Yr         |
|-------------|----------------|-------|--------------------|-------|------------|----------------|
| Sch 710     | Ln 1 Col (b)   | Fght  | 3,148 Col (J)      |       | 3,435      | 3,292          |
|             | Ln 2 Col (b)   | Psgr  | 0 Col (J)          |       | 0          | 0              |
|             | Ln 4 Col (b)   | Swtg  | 187 Col (J)        |       | 193        | 190            |
|             | Ln 9 Col (b)   | Aux   | <u>74 Col (J)</u>  |       | <u>74</u>  | <u>74</u>      |
|             |                |       | 3,409              |       | 3,702      | 3,556          |
| Sch 332     | Ln 31 col(d)   | Depr  | 3.58%              |       |            |                |
| (Reprs)     |                |       |                    |       | Labor      |                |
| Sch 415     | Ln 1 Col (b)   | Yd    | 12,844,000         | 7.1%  |            |                |
|             | Ln 2 Col (b)   | Rd    | <u>166,834,000</u> | 92.9% |            |                |
|             | Ln 5 Col (b)   | Total | \$179,678,000      |       |            |                |
| (Loco Fuel) |                |       |                    |       |            |                |
| Sch 410     | Ln 409 Col (h) |       | 411,555,000        | 91.7% | 53,624     | Ln 408 Col (b) |
|             | Ln 425 Col (h) |       | <u>37,475,000</u>  | 8.3%  | <u>0</u>   | Ln 425 Col (b) |
|             |                |       | \$449,030,000      |       | \$53,624   | \$395,406      |
| (Svc Loco)  |                |       |                    |       |            |                |
| Sch 410     | Ln 411 Col (h) |       | 29,355,000         | 97.8% | 16,857     | Ln 411 Col (b) |
|             | Ln 427 Col (h) |       | <u>670,000</u>     | 2.2%  | <u>670</u> | Ln 427 Col (b) |
|             |                |       | \$30,025,000       |       | \$17,527   | \$12,498       |

2004 NSR R-1 Data

**CREW MATERIALS (Sch 410)**

|                           |            |
|---------------------------|------------|
| Engine Crew Material      |            |
| In 402 Col ( c)           | 56,000     |
| Train Crew Material       |            |
| In 403 Col ( c)           | 1,520,000  |
| Train Insp. & Lubrication |            |
| Wages In 408 Col (b)      | 53,624,000 |
| Materials In 408 Col ( c) | 161,000    |

**SERVICING LOCOMOTIVES (Sch 410)**

|                          |            |
|--------------------------|------------|
| System Labor Expense     |            |
| In 411 Col (b)           | 16,857,000 |
| System Material Expense  |            |
| In 411 Col ( c)          | 7,966,000  |
| System Purchased Expense |            |
| In 411 Col (d)           | 4,532,000  |
| System General Expense   |            |
| In 411 Col (e)           | -          |

**LOCOMOTIVE REPAIR (Sch 410)**

|                          |             |
|--------------------------|-------------|
| System Labor Expense     |             |
| In 411 Col (b)           | 61,530,000  |
| System Material Expense  |             |
| In 411 Col ( c)          | 115,262,000 |
| System Purchased Expense |             |
| In 411 Col (d)           | 5,442,000   |
| System General Expense   |             |
| In 411 Col (e)           | 43,000      |

Hals Ferry - Badin, NC  
URCS Costs[illegible]

Hals Ferry - Badin, NC  
URCS Costs

|    |    |      |                          |    |   |        |            |         |            |    |        |            |    |        |
|----|----|------|--------------------------|----|---|--------|------------|---------|------------|----|--------|------------|----|--------|
| NS | RD | 839  | Box, Equip. Gen. Service | 96 | 1 | 80544  | 1700.85578 | 2.01232 | 1688.33648 | \$ | 157.92 | 159.753641 | \$ | 317.67 |
| NS | RD | 843  | Box, Equip. Gen. Service | 96 | 1 | 80928  | 1708.36308 | 2.01232 | 1696.38576 | \$ | 158.66 | 160.345984 | \$ | 319.00 |
| NS | RD | 839  | Box, Equip. Gen. Service | 96 | 1 | 80544  | 1700.85578 | 2.01232 | 1688.33648 | \$ | 157.92 | 159.753641 | \$ | 317.67 |
| NS | RD | 887  | Box, Equip. Gen. Service | 96 | 1 | 85152  | 1790.9434  | 2.01232 | 1784.92784 | \$ | 166.80 | 166.86175  | \$ | 333.67 |
| NS | RD | 843  | Box, Equip. Gen. Service | 96 | 1 | 80928  | 1708.36308 | 2.01232 | 1696.38576 | \$ | 158.66 | 160.345984 | \$ | 319.00 |
| NS | RD | 839  | Box, Equip. Gen. Service | 96 | 1 | 80544  | 1700.85578 | 2.01232 | 1688.33648 | \$ | 157.92 | 159.753641 | \$ | 317.67 |
| NS | RD | 843  | Box, Equip. Gen. Service | 96 | 1 | 80928  | 1708.36308 | 2.01232 | 1696.38576 | \$ | 158.66 | 160.345984 | \$ | 319.00 |
| NS | RD | 839  | Box, Equip. Gen. Service | 93 | 1 | 78027  | 1679.3111  | 2.01232 | 1688.33648 | \$ | 157.92 | 159.753641 | \$ | 317.67 |
| NS | RD | 839  | Box, Equip. Gen. Service | 96 | 1 | 80544  | 1700.85578 | 2.01232 | 1688.33648 | \$ | 157.92 | 159.753641 | \$ | 317.67 |
| NS | RD | 839  | Box, Equip. Gen. Service | 96 | 1 | 80544  | 1700.85578 | 2.01232 | 1688.33648 | \$ | 157.92 | 159.753641 | \$ | 317.67 |
| NS | RD | 839  | Box, Equip. Gen. Service | 96 | 1 | 80544  | 1700.85578 | 2.01232 | 1688.33648 | \$ | 157.92 | 159.753641 | \$ | 317.67 |
| NS | RD | 839  | Box, Equip. Gen. Service | 96 | 1 | 80544  | 1700.85578 | 2.01232 | 1688.33648 | \$ | 157.92 | 159.753641 | \$ | 317.67 |
| NS | RD | 839  | Box, Equip. Gen. Service | 96 | 1 | 80544  | 1700.85578 | 2.01232 | 1688.33648 | \$ | 157.92 | 159.753641 | \$ | 317.67 |
| NS | RD | 517  | Box, Equip. Gen. Service | 94 | 1 | 48598  | 1087.61537 | 2.01232 | 1040.36944 | \$ | 98.31  | 112.070077 | \$ | 210.38 |
| NS | RD | 525  | Box, Equip. Gen. Service | 96 | 1 | 50400  | 1111.53257 | 2.01232 | 1056.468   | \$ | 99.79  | 113.254762 | \$ | 213.05 |
| NS | RD | 839  | Box, Equip. Gen. Service | 96 | 1 | 80544  | 1700.85578 | 2.01232 | 1688.33648 | \$ | 157.92 | 159.753641 | \$ | 317.67 |
| NS | RD | 525  | Box, Equip. Gen. Service | 95 | 1 | 49875  | 1107.01344 | 2.01232 | 1056.468   | \$ | 99.79  | 113.254762 | \$ | 213.05 |
| NS | RD | 837  | Box, Equip. Gen. Service | 96 | 1 | 80352  | 1697.10213 | 2.01232 | 1684.31184 | \$ | 157.55 | 159.45747  | \$ | 317.01 |
| NS | RD | 839  | Box, Equip. Gen. Service | 96 | 1 | 80544  | 1700.85578 | 2.01232 | 1688.33648 | \$ | 157.92 | 159.753641 | \$ | 317.67 |
| NS | RD | 837  | Box, Equip. Gen. Service | 96 | 1 | 80352  | 1697.10213 | 2.01232 | 1684.31184 | \$ | 157.55 | 159.45747  | \$ | 317.01 |
| NS | RD | 839  | Box, Equip. Gen. Service | 96 | 1 | 80544  | 1700.85578 | 2.01232 | 1688.33648 | \$ | 157.92 | 159.753641 | \$ | 317.67 |
| NS | RD | 920  | Box, Equip. Gen. Service | 94 | 1 | 59664  | 1253.14356 | 2.01232 | 1219.46592 | \$ | 114.79 | 125.249696 | \$ | 240.04 |
| NS | RD | 606  | Box, Equip. Gen. Service | 94 | 1 | 59664  | 1253.14356 | 2.01232 | 1219.46592 | \$ | 114.79 | 125.249696 | \$ | 240.04 |
| NS | RD | 867  | Box, Equip. Gen. Service | 96 | 1 | 83232  | 1753.40689 | 2.01232 | 1744.68144 | \$ | 163.10 | 163.900038 | \$ | 327.00 |
| NS | RD | 867  | Box, Equip. Gen. Service | 97 | 1 | 84099  | 1760.82587 | 2.01232 | 1744.68144 | \$ | 163.10 | 163.900038 | \$ | 327.00 |
| NS | RD | 867  | Box, Equip. Gen. Service | 97 | 1 | 84099  | 1760.82587 | 2.01232 | 1744.68144 | \$ | 163.10 | 163.900038 | \$ | 327.00 |
| NS | RD | 867  | Box, Equip. Gen. Service | 95 | 1 | 82365  | 1745.98792 | 2.01232 | 1744.68144 | \$ | 163.10 | 163.900038 | \$ | 327.00 |
| NS | RD | 837  | Box, Equip. Gen. Service | 96 | 1 | 80352  | 1697.10213 | 2.01232 | 1684.31184 | \$ | 157.55 | 159.45747  | \$ | 317.01 |
| NS | RD | 1617 | Box, Equip. Gen. Service | 93 | 1 | 150381 | 3119.69119 | 2.01232 | 3253.92144 | \$ | 301.93 | 274.964239 | \$ | 576.90 |
| NS | RD | 837  | Box, Equip. Gen. Service | 96 | 1 | 80352  | 1697.10213 | 2.01232 | 1684.31184 | \$ | 157.55 | 159.45747  | \$ | 317.01 |
| NS | RD | 839  | Box, Equip. Gen. Service | 96 | 1 | 80544  | 1700.85578 | 2.01232 | 1688.33648 | \$ | 157.92 | 159.753641 | \$ | 317.67 |
| NS | RD | 867  | Box, Equip. Gen. Service | 96 | 1 | 83232  | 1753.40689 | 2.01232 | 1744.68144 | \$ | 163.10 | 163.900038 | \$ | 327.00 |
| NS | RD | 837  | Box, Equip. Gen. Service | 96 | 1 | 80352  | 1697.10213 | 2.01232 | 1684.31184 | \$ | 157.55 | 159.45747  | \$ | 317.01 |
| NS | RD | 1617 | Box, Equip. Gen. Service | 96 | 1 | 155232 | 3161.02603 | 2.01232 | 3253.92144 | \$ | 301.93 | 274.964239 | \$ | 576.90 |
| NS | RD | 839  | Box, Equip. Gen. Service | 96 | 1 | 80544  | 1700.85578 | 2.01232 | 1688.33648 | \$ | 157.92 | 159.753641 | \$ | 317.67 |
| NS | RD | 837  | Box, Equip. Gen. Service | 96 | 1 | 80352  | 1697.10213 | 2.01232 | 1684.31184 | \$ | 157.55 | 159.45747  | \$ | 317.01 |
| NS | RD | 837  | Box, Equip. Gen. Service | 96 | 1 | 80352  | 1697.10213 | 2.01232 | 1684.31184 | \$ | 157.55 | 159.45747  | \$ | 317.01 |
| NS | RD | 860  | Box, Equip. Gen. Service | 95 | 1 | 81700  | 1732.90949 | 2.01232 | 1730.5952  | \$ | 161.81 | 162.863439 | \$ | 324.67 |
| NS | RD | 881  | Box, Equip. Gen. Service | 96 | 1 | 84576  | 1779.68245 | 2.01232 | 1772.85392 | \$ | 165.69 | 165.973236 | \$ | 331.67 |
| NS | RD | 881  | Box, Equip. Gen. Service | 96 | 1 | 84576  | 1779.68245 | 2.01232 | 1772.85392 | \$ | 165.69 | 165.973236 | \$ | 331.67 |
| NS | RD | 839  | Box, Equip. Gen. Service | 96 | 1 | 80544  | 1700.85578 | 2.01232 | 1688.33648 | \$ | 157.92 | 159.753641 | \$ | 317.67 |
| NS | RD | 839  | Box, Equip. Gen. Service | 96 | 1 | 80544  | 1700.85578 | 2.01232 | 1688.33648 | \$ | 157.92 | 159.753641 | \$ | 317.67 |
| NS | RD | 839  | Box, Equip. Gen. Service | 96 | 1 | 80544  | 1700.85578 | 2.01232 | 1688.33648 | \$ | 157.92 | 159.753641 | \$ | 317.67 |
| NS | RD | 839  | Box, Equip. Gen. Service | 96 | 1 | 80544  | 1700.85578 | 2.01232 | 1688.33648 | \$ | 157.92 | 159.753641 | \$ | 317.67 |
| NS | RD | 888  | Box, Equip. Gen. Service | 96 | 1 | 83328  | 1755.28372 | 2.01232 | 1746.69376 | \$ | 163.29 | 164.048124 | \$ | 327.33 |

Hals Ferry - Badin, NC

URCS Costs

| NS                              | RD         | 868 Box, Equip. Gen. Service | 96                       | 1    | 83328     | 1755.28372 | 2.01232    | 1746.69376 | \$                | 163.29                  | 164.048124                  | \$             | 327.33 |
|---------------------------------|------------|------------------------------|--------------------------|------|-----------|------------|------------|------------|-------------------|-------------------------|-----------------------------|----------------|--------|
| OUTBOUND move parameters -----> |            |                              |                          |      |           |            |            |            |                   |                         |                             |                |        |
| Road                            | URCS class | miles                        | car type                 | tons | circuitry | Net GTM's  | URCS COST  | e/l ratio  | total train miles | URCS Car Mile Cost632 + | URCS Car day cost sum 641 - | Total car cost |        |
| NS                              | RT         | 332                          | Box, General Service     | 75   | 1         | 24900      | 1500.11727 | 2.0235     | 671.802           | \$ 78.82                | 807.5181                    | \$ 886.34      |        |
| NS                              | RD         | 819                          | Box, Equip. Gen. Service | 74   | 1         | 60606      | 1509.05576 | 2.01232    | 1648.09008        | \$ 154.22               | 156.791929                  | \$ 311.01      |        |
| NS                              | RD         | 819                          | Box, Equip. Gen. Service | 76   | 1         | 62244      | 1523.07971 | 2.01232    | 1648.09008        | \$ 154.22               | 156.791929                  | \$ 311.01      |        |
| NS                              | RD         | 819                          | Box, General Service     | 76   | 1         | 62244      | 2314.1666  | 2.0235     | 1657.2465         | \$ 188.60               | 947.66551                   | \$ 1,136.26    |        |
| NS                              | RD         | 809                          | Box, General Service     | 75   | 1         | 60675      | 2282.70742 | 2.0235     | 1637.0115         | \$ 186.33               | 938.715074                  | \$ 1,125.05    |        |
| NS                              | RD         | 809                          | Box, General Service     | 75   | 1         | 60675      | 2282.70742 | 2.0235     | 1637.0115         | \$ 186.33               | 938.715074                  | \$ 1,125.05    |        |
| NS                              | RD         | 817                          | Box, General Service     | 71   | 1         | 58007      | 2274.28511 | 2.0235     | 1653.1995         | \$ 188.15               | 945.875423                  | \$ 1,134.02    |        |
| NS                              | RD         | 798                          | Box, General Service     | 75   | 1         | 59850      | 2255.81549 | 2.0235     | 1614.753          | \$ 183.84               | 928.869594                  | \$ 1,112.71    |        |
| NS                              | RD         | 798                          | Box, General Service     | 75   | 1         | 59850      | 2255.81549 | 2.0235     | 1614.753          | \$ 183.84               | 928.869594                  | \$ 1,112.71    |        |
| NS                              | RD         | 797                          | Box, General Service     | 74   | 1         | 58978      | 2246.54533 | 2.0235     | 1612.7295         | \$ 183.62               | 927.974551                  | \$ 1,111.59    |        |
| NS                              | RD         | 798                          | Box, General Service     | 76   | 1         | 60648      | 2262.6494  | 2.0235     | 1614.753          | \$ 183.84               | 928.869594                  | \$ 1,112.71    |        |
| NS                              | RD         | 797                          | Box, General Service     | 76   | 1         | 60572      | 2260.1962  | 2.0235     | 1612.7295         | \$ 183.62               | 927.974551                  | \$ 1,111.59    |        |
| NS                              | RD         | 797                          | Box, General Service     | 74   | 1         | 58978      | 2246.54533 | 2.0235     | 1612.7295         | \$ 183.62               | 927.974551                  | \$ 1,111.59    |        |
| NS                              | RD         | 786                          | Box, General Service     | 74   | 1         | 58164      | 2219.74667 | 2.0235     | 1590.471          | \$ 181.13               | 918.129071                  | \$ 1,099.26    |        |
| NS                              | RD         | 797                          | Box, General Service     | 74   | 1         | 58978      | 2246.54533 | 2.0235     | 1612.7295         | \$ 183.62               | 927.974551                  | \$ 1,111.59    |        |
| NS                              | RD         | 797                          | Box, General Service     | 76   | 1         | 60572      | 2260.1962  | 2.0235     | 1612.7295         | \$ 183.62               | 927.974551                  | \$ 1,111.59    |        |
| NS                              | RD         | 798                          | Box, General Service     | 76   | 1         | 60648      | 2262.6494  | 2.0235     | 1614.753          | \$ 183.84               | 928.869594                  | \$ 1,112.71    |        |
| NS                              | RD         | 797                          | Box, General Service     | 75   | 1         | 59775      | 2253.37076 | 2.0235     | 1612.7295         | \$ 183.62               | 927.974551                  | \$ 1,111.59    |        |
| NS                              | RD         | 797                          | Box, General Service     | 68   | 1         | 54196      | 2205.5927  | 2.0235     | 1612.7295         | \$ 183.62               | 927.974551                  | \$ 1,111.59    |        |
| NS                              | RD         | 797                          | Box, General Service     | 76   | 1         | 60572      | 2260.1962  | 2.0235     | 1612.7295         | \$ 183.62               | 927.974551                  | \$ 1,111.59    |        |
| NS                              | RT         | 779                          | Box, Equip. Gen. Service | 74   | 1         | 57546      | 1594.5104  | 2.01232    | 1567.59728        | \$ 147.39               | 203.698434                  | \$ 351.09      |        |
| NS                              | RT         | 706                          | Box, General Service     | 75   | 1         | 52950      | 2414.44293 | 2.0235     | 1428.591          | \$ 163.49               | 1142.26442                  | \$ 1,305.75    |        |
| NS                              | RT         | 706                          | Box, General Service     | 76   | 1         | 53656      | 2420.54268 | 2.0235     | 1428.591          | \$ 163.49               | 1142.26442                  | \$ 1,305.75    |        |
| NS                              | RT         | 706                          | Box, General Service     | 76   | 1         | 53656      | 2420.54268 | 2.0235     | 1428.591          | \$ 163.49               | 1142.26442                  | \$ 1,305.75    |        |
| NS                              | RT         | 706                          | Box, General Service     | 75   | 1         | 52950      | 2414.44293 | 2.0235     | 1428.591          | \$ 163.49               | 1142.26442                  | \$ 1,305.75    |        |
| NS                              | RT         | 706                          | Box, General Service     | 75   | 1         | 52950      | 2414.44293 | 2.0235     | 1428.591          | \$ 163.49               | 1142.26442                  | \$ 1,305.75    |        |
| NS                              | RT         | 684                          | Box, General Service     | 76   | 1         | 51984      | 2366.57228 | 2.0235     | 1384.074          | \$ 158.51               | 1122.57346                  | \$ 1,281.08    |        |
| NS                              | RT         | 694                          | Box, General Service     | 76   | 1         | 52744      | 2391.10428 | 2.0235     | 1404.309          | \$ 160.77               | 1131.52389                  | \$ 1,292.29    |        |
| NS                              | RD         | 1969                         | Box, General Service     | 76   | 1         | 149644     | 5135.34669 | 2.0235     | 3984.2715         | \$ 448.93               | 1976.96568                  | \$ 2,425.90    |        |

Hals Ferry - Badin, NC  
URCS Costs

|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|

Hals Ferry - Badin, NC  
URCS Costs

|          |          |  |         |      |              |              |         |         |        |   |            |            |        |   |            |
|----------|----------|--|---------|------|--------------|--------------|---------|---------|--------|---|------------|------------|--------|---|------------|
| \$ 1,701 | \$ 1,366 |  | 1,688.3 | 2012 | 2,819,980.59 | 8,147,597.79 | 10,9961 | 16,1412 | 0.0666 | 0 | 89,5916327 | 131,512279 | 112.49 | - | 333.590024 |
| \$ 1,708 | \$ 1,372 |  | 1,696.4 | 2012 | 2,833,425.08 | 8,181,165.48 | 10,9961 | 16,1412 | 0.0666 | 0 | 89,9607456 | 132,054102 | 113.02 | - | 335.037247 |
| \$ 1,701 | \$ 1,366 |  | 1,688.3 | 2012 | 2,819,980.59 | 8,147,597.79 | 10,9961 | 16,1412 | 0.0666 | 0 | 89,5916327 | 131,512279 | 112.49 | - | 333.590024 |
| \$ 1,791 | \$ 1,440 |  | 1,784.9 | 2012 | 2,981,314.4  | 8,550.41     | 10,9961 | 16,1412 | 0.0666 | 0 | 94,0209878 | 138,014164 | 118.92 | - | 350.956704 |
| \$ 1,708 | \$ 1,372 |  | 1,696.4 | 2012 | 2,833,425.08 | 8,181,165.48 | 10,9961 | 16,1412 | 0.0666 | 0 | 89,9607456 | 132,054102 | 113.02 | - | 335.037247 |
| \$ 1,701 | \$ 1,366 |  | 1,688.3 | 2012 | 2,819,980.59 | 8,147,597.79 | 10,9961 | 16,1412 | 0.0666 | 0 | 89,5916327 | 131,512279 | 112.49 | - | 333.590024 |
| \$ 1,708 | \$ 1,372 |  | 1,696.4 | 2012 | 2,833,425.08 | 8,181,165.48 | 10,9961 | 16,1412 | 0.0666 | 0 | 89,9607456 | 132,054102 | 113.02 | - | 335.037247 |
| \$ 1,679 | \$ 1,344 |  | 1,688.3 | 2012 | 2,819,980.59 | 8,147,597.79 | 10,9961 | 16,1412 | 0.0666 | 0 | 89,5916327 | 131,512279 | 112.49 | - | 333.590024 |
| \$ 1,701 | \$ 1,366 |  | 1,688.3 | 2012 | 2,819,980.59 | 8,147,597.79 | 10,9961 | 16,1412 | 0.0666 | 0 | 89,5916327 | 131,512279 | 112.49 | - | 333.590024 |
| \$ 1,701 | \$ 1,366 |  | 1,688.3 | 2012 | 2,819,980.59 | 8,147,597.79 | 10,9961 | 16,1412 | 0.0666 | 0 | 89,5916327 | 131,512279 | 112.49 | - | 333.590024 |
| \$ 1,701 | \$ 1,366 |  | 1,688.3 | 2012 | 2,819,980.59 | 8,147,597.79 | 10,9961 | 16,1412 | 0.0666 | 0 | 89,5916327 | 131,512279 | 112.49 | - | 333.590024 |
| \$ 1,701 | \$ 1,366 |  | 1,688.3 | 2012 | 2,819,980.59 | 8,147,597.79 | 10,9961 | 16,1412 | 0.0666 | 0 | 89,5916327 | 131,512279 | 112.49 | - | 333.590024 |
| \$ 1,088 | \$ 860   |  | 1,040.4 | 2012 | 1,737,699.6  | 5,445,399.2  | 10,9961 | 16,1412 | 0.0666 | 0 | 59,8780423 | 87,8954601 | 69.32  | - | 217.088544 |
| \$ 1,112 | \$ 881   |  | 1,056.5 | 2012 | 1,764,588.7  | 5,512,534.57 | 10,9961 | 16,1412 | 0.0666 | 0 | 60,6162681 | 88,9791077 | 70.39  | - | 219.982991 |
| \$ 1,701 | \$ 1,366 |  | 1,688.3 | 2012 | 2,819,980.59 | 8,147,597.79 | 10,9961 | 16,1412 | 0.0666 | 0 | 89,5916327 | 131,512279 | 112.49 | - | 333.590024 |
| \$ 1,107 | \$ 876   |  | 1,056.5 | 2012 | 1,764,588.7  | 5,512,534.57 | 10,9961 | 16,1412 | 0.0666 | 0 | 60,6162681 | 88,9791077 | 70.39  | - | 219.982991 |
| \$ 1,697 | \$ 1,363 |  | 1,684.3 | 2012 | 2,813,258.35 | 8,13081395   | 10,9961 | 16,1412 | 0.0666 | 0 | 89,4070762 | 131,241367 | 112.22 | - | 332.866412 |
| \$ 1,701 | \$ 1,366 |  | 1,688.3 | 2012 | 2,819,980.59 | 8,147,597.79 | 10,9961 | 16,1412 | 0.0666 | 0 | 89,5916327 | 131,512279 | 112.49 | - | 333.590024 |
| \$ 1,697 | \$ 1,363 |  | 1,684.3 | 2012 | 2,813,258.35 | 8,13081395   | 10,9961 | 16,1412 | 0.0666 | 0 | 89,4070762 | 131,241367 | 112.22 | - | 332.866412 |
| \$ 1,753 | \$ 1,409 |  | 1,851.3 | 2012 | 3,092,231.4  | 8,827,343.4  | 10,9961 | 16,1412 | 0.0666 | 0 | 97,0661694 | 142,484211 | 123.35 | - | 362.896296 |
| \$ 1,253 | \$ 996   |  | 1,219.5 | 2012 | 2,036,839.38 | 6,192,280.18 | 10,9961 | 16,1412 | 0.0666 | 0 | 68,0908049 | 99,9510403 | 81.25  | - | 249.289264 |
| \$ 1,253 | \$ 996   |  | 1,219.5 | 2012 | 2,036,839.38 | 6,192,280.18 | 10,9961 | 16,1412 | 0.0666 | 0 | 68,0908049 | 99,9510403 | 81.25  | - | 249.289264 |
| \$ 1,753 | \$ 1,409 |  | 1,851.3 | 2012 | 3,092,231.4  | 8,827,343.4  | 10,9961 | 16,1412 | 0.0666 | 0 | 97,0661694 | 142,484211 | 123.35 | - | 362.896296 |
| \$ 1,761 | \$ 1,416 |  | 1,744.7 | 2012 | 2,914,091.98 | 8,382,571.58 | 10,9961 | 16,1412 | 0.0666 | 0 | 92,1754232 | 135,305045 | 116.24 | - | 343.720587 |
| \$ 1,761 | \$ 1,416 |  | 1,744.7 | 2012 | 2,914,091.98 | 8,382,571.58 | 10,9961 | 16,1412 | 0.0666 | 0 | 92,1754232 | 135,305045 | 116.24 | - | 343.720587 |
| \$ 1,746 | \$ 1,401 |  | 1,744.7 | 2012 | 2,914,091.98 | 8,382,571.58 | 10,9961 | 16,1412 | 0.0666 | 0 | 92,1754232 | 135,305045 | 116.24 | - | 343.720587 |
| \$ 1,697 | \$ 1,363 |  | 1,684.3 | 2012 | 2,813,258.35 | 8,13081395   | 10,9961 | 16,1412 | 0.0666 | 0 | 89,4070762 | 131,241367 | 112.22 | - | 332.866412 |
| \$ 3,120 | \$ 2,525 |  | 3,253.9 | 2012 | 5,434,932.8  | 14,676,512.4 | 10,9961 | 16,1412 | 0.0666 | 0 | 161,384096 | 236,897014 | 216.79 | - | 615.074964 |
| \$ 1,697 | \$ 1,363 |  | 1,684.3 | 2012 | 2,813,258.35 | 8,13081395   | 10,9961 | 16,1412 | 0.0666 | 0 | 89,4070762 | 131,241367 | 112.22 | - | 332.866412 |
| \$ 1,701 | \$ 1,366 |  | 1,688.3 | 2012 | 2,819,980.59 | 8,147,597.79 | 10,9961 | 16,1412 | 0.0666 | 0 | 89,5916327 | 131,512279 | 112.49 | - | 333.590024 |
| \$ 1,753 | \$ 1,409 |  | 1,744.7 | 2012 | 2,914,091.98 | 8,382,571.58 | 10,9961 | 16,1412 | 0.0666 | 0 | 92,1754232 | 135,305045 | 116.24 | - | 343.720587 |
| \$ 1,697 | \$ 1,363 |  | 1,684.3 | 2012 | 2,813,258.35 | 8,13081395   | 10,9961 | 16,1412 | 0.0666 | 0 | 89,4070762 | 131,241367 | 112.22 | - | 332.866412 |
| \$ 3,161 | \$ 2,567 |  | 3,253.9 | 2012 | 5,434,932.8  | 14,676,512.4 | 10,9961 | 16,1412 | 0.0666 | 0 | 161,384096 | 236,897014 | 216.79 | - | 615.074964 |
| \$ 1,701 | \$ 1,366 |  | 1,688.3 | 2012 | 2,819,980.59 | 8,147,597.79 | 10,9961 | 16,1412 | 0.0666 | 0 | 89,5916327 | 131,512279 | 112.49 | - | 333.590024 |
| \$ 1,697 | \$ 1,363 |  | 1,684.3 | 2012 | 2,813,258.35 | 8,13081395   | 10,9961 | 16,1412 | 0.0666 | 0 | 89,4070762 | 131,241367 | 112.22 | - | 332.866412 |
| \$ 1,697 | \$ 1,363 |  | 1,684.3 | 2012 | 2,813,258.35 | 8,13081395   | 10,9961 | 16,1412 | 0.0666 | 0 | 89,4070762 | 131,241367 | 112.22 | - | 332.866412 |
| \$ 1,733 | \$ 1,391 |  | 1,730.6 | 2012 | 2,890,564.13 | 8,323,828.13 | 10,9961 | 16,1412 | 0.0666 | 0 | 91,5294755 | 134,356854 | 115.30 | - | 341.187946 |
| \$ 1,780 | \$ 1,430 |  | 1,772.9 | 2012 | 2,961,147.68 | 8,500,058.48 | 10,9961 | 16,1412 | 0.0666 | 0 | 93,4673184 | 137,201429 | 118.12 | - | 348.785869 |
| \$ 1,780 | \$ 1,430 |  | 1,772.9 | 2012 | 2,961,147.68 | 8,500,058.48 | 10,9961 | 16,1412 | 0.0666 | 0 | 93,4673184 | 137,201429 | 118.12 | - | 348.785869 |
| \$ 1,701 | \$ 1,366 |  | 1,688.3 | 2012 | 2,819,980.59 | 8,147,597.79 | 10,9961 | 16,1412 | 0.0666 | 0 | 89,5916327 | 131,512279 | 112.49 | - | 333.590024 |
| \$ 1,701 | \$ 1,366 |  | 1,688.3 | 2012 | 2,819,980.59 | 8,147,597.79 | 10,9961 | 16,1412 | 0.0666 | 0 | 89,5916327 | 131,512279 | 112.49 | - | 333.590024 |
| \$ 1,701 | \$ 1,366 |  | 1,688.3 | 2012 | 2,819,980.59 | 8,147,597.79 | 10,9961 | 16,1412 | 0.0666 | 0 | 89,5916327 | 131,512279 | 112.49 | - | 333.590024 |
| \$ 1,701 | \$ 1,366 |  | 1,688.3 | 2012 | 2,819,980.59 | 8,147,597.79 | 10,9961 | 16,1412 | 0.0666 | 0 | 89,5916327 | 131,512279 | 112.49 | - | 333.590024 |
| \$ 1,755 | \$ 1,410 |  | 1,746.7 | 2012 | 2,917,453.1  | 8,390,963.5  | 10,9961 | 16,1412 | 0.0666 | 0 | 92,2677014 | 135,440501 | 116.37 | - | 344.082393 |

Hals Ferry - Badin, NC  
URCS Costs

| line 700    | Adjusted<br>URCS Cost --<br>excluding car 7 | line 111<br>total train<br>miles | e/l<br>ratio<br>line | line 436    | total days  | rents<br>repairs &<br>depr per day | ROI per day | Repairs &<br>Depre per | Pvt tank car<br>cost per<br>loaded | ROI per day<br>\$ | Repairs &<br>Depre per | Pvt tank car<br>cost per<br>loaded | total dollars |
|-------------|---------------------------------------------|----------------------------------|----------------------|-------------|-------------|------------------------------------|-------------|------------------------|------------------------------------|-------------------|------------------------|------------------------------------|---------------|
| \$ 1,755 \$ | 1,410                                       | 1,746.7                          | 2.012                | 2,917,4531  | 8,390,9635  | 10.9961                            | 16.1412     | 0.0666                 | 0                                  | 92.2677014        | 135.440501             | 116.37                             | - 344.082393  |
| \$ 1,500 \$ | 596                                         | 671.8                            | 2.024                | 1,122,09185 | 7,714,52185 | -31.3145                           | -44.4359    | 0.2207                 | 0                                  | -241.576167       | -342.801602            | 148.25                             | - 436.124579  |
| \$ 1,509 \$ | 1,180                                       | 1,648.1                          | 2.012                | 2,752,75817 | 7,979,75937 | 10.9961                            | 16.1412     | 0.0666                 | 0                                  | 87.7460681        | 128.803159             | 109.80                             | - 326.353907  |
| \$ 1,523 \$ | 1,195                                       | 1,648.1                          | 2.012                | 2,752,75817 | 7,979,75937 | 10.9961                            | 16.1412     | 0.0666                 | 0                                  | 87.7460681        | 128.803159             | 109.80                             | - 326.353907  |
| \$ 2,314 \$ | 1,160                                       | 1,657.2                          | 2.024                | 2,768,05188 | 8,024,09313 | -31.3145                           | -44.4359    | 0.2207                 | 0                                  | -251.270227       | -356.557675            | 365.72                             | - 242.106933  |
| \$ 2,283 \$ | 1,140                                       | 1,637.0                          | 2.024                | 2,734,25393 | 7,939,70768 | -31.3145                           | -44.4359    | 0.2207                 | 0                                  | -248.627742       | -352.807933            | 361.26                             | - 240.180163  |
| \$ 2,283 \$ | 1,140                                       | 1,637.0                          | 2.024                | 2,734,25393 | 7,939,70768 | -31.3145                           | -44.4359    | 0.2207                 | 0                                  | -248.627742       | -352.807933            | 361.26                             | - 240.180163  |
| \$ 2,274 \$ | 1,123                                       | 1,653.2                          | 2.024                | 2,761,29229 | 8,007,21604 | -31.3145                           | -44.4359    | 0.2207                 | 0                                  | -250.74173        | -355.807727            | 364.83                             | - 241.721579  |
| \$ 2,256 \$ | 1,125                                       | 1,614.8                          | 2.024                | 2,697,07619 | 7,846,88369 | -31.3145                           | -44.4359    | 0.2207                 | 0                                  | -245.721008       | -348.683217            | 356.34                             | - 238.060716  |
| \$ 2,256 \$ | 1,125                                       | 1,614.8                          | 2.024                | 2,697,07619 | 7,846,88369 | -31.3145                           | -44.4359    | 0.2207                 | 0                                  | -245.721008       | -348.683217            | 356.34                             | - 238.060716  |
| \$ 2,247 \$ | 1,117                                       | 1,612.7                          | 2.024                | 2,693,69639 | 7,838,44514 | -31.3145                           | -44.4359    | 0.2207                 | 0                                  | -245.456759       | -348.308243            | 355.90                             | - 237.868038  |
| \$ 2,263 \$ | 1,132                                       | 1,614.8                          | 2.024                | 2,697,07619 | 7,846,88369 | -31.3145                           | -44.4359    | 0.2207                 | 0                                  | -245.456759       | -348.308243            | 355.90                             | - 237.868038  |
| \$ 2,260 \$ | 1,131                                       | 1,612.7                          | 2.024                | 2,693,69639 | 7,838,44514 | -31.3145                           | -44.4359    | 0.2207                 | 0                                  | -245.456759       | -348.308243            | 355.90                             | - 237.868038  |
| \$ 2,247 \$ | 1,117                                       | 1,612.7                          | 2.024                | 2,693,69639 | 7,838,44514 | -31.3145                           | -44.4359    | 0.2207                 | 0                                  | -245.456759       | -348.308243            | 355.90                             | - 237.868038  |
| \$ 2,220 \$ | 1,103                                       | 1,590.5                          | 2.024                | 2,656,51865 | 7,745,62115 | -31.3145                           | -44.4359    | 0.2207                 | 0                                  | -242.550025       | -344.183527            | 350.98                             | - 235.748591  |
| \$ 2,247 \$ | 1,117                                       | 1,612.7                          | 2.024                | 2,693,69639 | 7,838,44514 | -31.3145                           | -44.4359    | 0.2207                 | 0                                  | -245.456759       | -348.308243            | 355.90                             | - 237.868038  |
| \$ 2,260 \$ | 1,131                                       | 1,612.7                          | 2.024                | 2,693,69639 | 7,838,44514 | -31.3145                           | -44.4359    | 0.2207                 | 0                                  | -245.456759       | -348.308243            | 355.90                             | - 237.868038  |
| \$ 2,263 \$ | 1,132                                       | 1,614.8                          | 2.024                | 2,697,07619 | 7,846,88369 | -31.3145                           | -44.4359    | 0.2207                 | 0                                  | -245.456759       | -348.308243            | 355.90                             | - 237.868038  |
| \$ 2,253 \$ | 1,124                                       | 1,612.7                          | 2.024                | 2,693,69639 | 7,838,44514 | -31.3145                           | -44.4359    | 0.2207                 | 0                                  | -245.456759       | -348.308243            | 355.90                             | - 237.868038  |
| \$ 2,206 \$ | 1,076                                       | 1,612.7                          | 2.024                | 2,693,69639 | 7,838,44514 | -31.3145                           | -44.4359    | 0.2207                 | 0                                  | -245.456759       | -348.308243            | 355.90                             | - 237.868038  |
| \$ 2,260 \$ | 1,131                                       | 1,612.7                          | 2.024                | 2,693,69639 | 7,838,44514 | -31.3145                           | -44.4359    | 0.2207                 | 0                                  | -245.456759       | -348.308243            | 355.90                             | - 237.868038  |
| \$ 1,595 \$ | 1,226                                       | 1,567.6                          | 2.012                | 2,618,31333 | 11,644,0825 | 10.9961                            | 16.1412     | 0.0666                 | 0                                  | 128.039257        | 187.949855             | 104.44                             | - 420.430925  |
| \$ 2,414 \$ | 1,091                                       | 1,428.6                          | 2.024                | 2,386,13507 | 10,870,5376 | -31.3145                           | -44.4359    | 0.2207                 | 0                                  | -340.405128       | -483.041952            | 315.26                             | - 508.18578   |
| \$ 2,421 \$ | 1,097                                       | 1,428.6                          | 2.024                | 2,386,13507 | 10,870,5376 | -31.3145                           | -44.4359    | 0.2207                 | 0                                  | -340.405128       | -483.041952            | 315.26                             | - 508.18578   |
| \$ 2,421 \$ | 1,097                                       | 1,428.6                          | 2.024                | 2,386,13507 | 10,870,5376 | -31.3145                           | -44.4359    | 0.2207                 | 0                                  | -340.405128       | -483.041952            | 315.26                             | - 508.18578   |
| \$ 2,414 \$ | 1,091                                       | 1,428.6                          | 2.024                | 2,386,13507 | 10,870,5376 | -31.3145                           | -44.4359    | 0.2207                 | 0                                  | -340.405128       | -483.041952            | 315.26                             | - 508.18578   |
| \$ 2,414 \$ | 1,091                                       | 1,428.6                          | 2.024                | 2,386,13507 | 10,870,5376 | -31.3145                           | -44.4359    | 0.2207                 | 0                                  | -340.405128       | -483.041952            | 315.26                             | - 508.18578   |
| \$ 2,367 \$ | 1,068                                       | 1,384.1                          | 2.024                | 2,311,77959 | 10,684,8896 | -31.3145                           | -44.4359    | 0.2207                 | 0                                  | -334.59166        | -474.792519            | 305.44                             | - 503.946885  |
| \$ 2,391 \$ | 1,081                                       | 1,404.3                          | 2.024                | 2,345,57754 | 10,769,275  | -31.3145                           | -44.4359    | 0.2207                 | 0                                  | -337.234145       | -478.542261            | 309.90                             | - 505.873655  |
| \$ 5,135 \$ | 2,692                                       | 3,984.3                          | 2.024                | 6,654,81581 | 17,728,4196 | -31.3145                           | -44.4359    | 0.2207                 | 0                                  | -555.156071       | -787.778003            | 879.25                             | - 463.685491  |

| \$ 203,746 IN & OUT |  | \$ (24) |  |
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Hals Ferry - Badin, NC  
URCS Costs

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| \$ | 1,699 | 1,8702 | 15.2373254 |  |
| \$ | 1,707 | 1,8702 | 15.3001024 |  |
| \$ | 1,699 | 1,8702 | 15.2373254 |  |
| \$ | 1,791 | 1,8702 | 15.9906494 |  |
| \$ | 1,707 | 1,8702 | 15.3001024 |  |
| \$ | 1,699 | 1,8702 | 15.2373254 |  |
| \$ | 1,707 | 1,8702 | 15.3001024 |  |
| \$ | 1,678 | 1,8702 | 15.2373254 |  |
| \$ | 1,699 | 1,8702 | 15.2373254 |  |
| \$ | 1,699 | 1,8702 | 15.2373254 |  |
| \$ | 1,699 | 1,8702 | 15.2373254 |  |
| \$ | 1,699 | 1,8702 | 15.2373254 |  |
| \$ | 1,077 | 1,8702 | 10.1837771 |  |
| \$ | 1,101 | 1,8702 | 10.3093311 |  |
| \$ | 1,699 | 1,8702 | 15.2373254 |  |
| \$ | 1,096 | 1,8702 | 10.3093311 |  |
| \$ | 1,695 | 1,8702 | 15.2059369 |  |
| \$ | 1,699 | 1,8702 | 15.2373254 |  |
| \$ | 1,695 | 1,8702 | 15.2059369 |  |
| \$ | 1,699 | 1,8702 | 15.2373254 |  |
| \$ | 1,854 | 1,8702 | 16.5085596 |  |
| \$ | 1,854 | 1,8702 | 16.5085596 |  |
| \$ | 1,846 | 1,8702 | 16.5085596 |  |
| \$ | 1,846 | 1,8702 | 16.5085596 |  |
| \$ | 1,245 | 1,8702 | 11.5805653 |  |
| \$ | 1,245 | 1,8702 | 11.5805653 |  |
| \$ | 1,753 | 1,8702 | 15.6767644 |  |
| \$ | 1,760 | 1,8702 | 15.6767644 |  |
| \$ | 1,760 | 1,8702 | 15.6767644 |  |
| \$ | 1,745 | 1,8702 | 15.6767644 |  |
| \$ | 1,695 | 1,8702 | 15.2059369 |  |
| \$ | 3,140 | 1,8702 | 27.4474515 |  |
| \$ | 1,695 | 1,8702 | 15.2059369 |  |
| \$ | 1,699 | 1,8702 | 15.2373254 |  |
| \$ | 1,753 | 1,8702 | 15.6767644 |  |
| \$ | 1,695 | 1,8702 | 15.2059369 |  |
| \$ | 3,182 | 1,8702 | 27.4474515 |  |
| \$ | 1,699 | 1,8702 | 15.2373254 |  |
| \$ | 1,695 | 1,8702 | 15.2059369 |  |
| \$ | 1,695 | 1,8702 | 15.2059369 |  |
| \$ | 1,732 | 1,8702 | 15.5669046 |  |
| \$ | 1,779 | 1,8702 | 15.8964839 |  |
| \$ | 1,779 | 1,8702 | 15.8964839 |  |
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| \$ | 1,754 | 1,8702 | 15.6924586 |  |

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Badin Avg On Branch Days Oct 2004 <--> Sep 2005

| STB car type             | STB owner | Data               | Total       |
|--------------------------|-----------|--------------------|-------------|
| 2                        | RR        | Sum of Trans Wb Sn | 54          |
|                          |           | Sum of cross days  | 349.94691   |
| 2 Sum of Trans Wb Sn     |           |                    | 54          |
| 2 Sum of cross days      |           |                    | 349.94691   |
| 3                        | priv      | Sum of Trans Wb Sn | 13          |
|                          |           | Sum of cross days  | 68.7669775  |
|                          | RR        | Sum of Trans Wb Sn | 116         |
|                          |           | Sum of cross days  | 985.5591188 |
| 3 Sum of Trans Wb Sn     |           |                    | 129         |
| 3 Sum of cross days      |           |                    | 1054.326096 |
| (                        | priv      | Sum of Trans Wb Sn | 2           |
|                          |           | Sum of cross days  | 32.53525083 |
|                          | RR        | Sum of Trans Wb Sn | 42          |
|                          |           | Sum of cross days  | 312.6333233 |
| ( Sum of Trans Wb Sn     |           |                    | 44          |
| ( Sum of cross days      |           |                    | 345.1685742 |
| 15                       | priv      | Sum of Trans Wb Sn | 5           |
|                          |           | Sum of cross days  | 86.4343075  |
| 15 Sum of Trans Wb Sn    |           |                    | 5           |
| 15 Sum of cross days     |           |                    | 86.4343075  |
| Total Sum of Trans Wb Sn |           |                    | 232         |
| Total Sum of cross days  |           |                    | 1835.875888 |

Avg ON  
BRANCH  
Time (Days)

|      |
|------|
| 6.5  |
| 6.5  |
|      |
| 5.3  |
| 8.5  |
| 8.2  |
|      |
| 16.3 |
| 7.4  |
| 7.8  |
|      |
| 17.3 |
| 17.3 |
| 7.9  |

Average Cars on Branch  
(Days)  
7.5

October 2004 through September 2005

|           |       |                       | Brakeman     | Conductor    | Engineer     |         |               |
|-----------|-------|-----------------------|--------------|--------------|--------------|---------|---------------|
|           |       |                       | Occ Clm      |              |              |         |               |
| Train Num | Ca Cd | Data                  | B1           | CO           | EN           | ET      | Grand Total   |
| P91P3     | AB    | Sum of Add To Net Amt | \$ -         | \$ -         |              |         | \$ -          |
|           |       | Sum of Gross Amt      | \$ -         | \$ 400.00    |              |         | \$ 400.00     |
|           |       | Sum of Prod Fund      |              |              |              |         |               |
|           | AE    | Sum of Add To Net Amt | \$ 1,458.94  | \$ 504.96    | \$ 653.71    |         | \$ 2,617.61   |
|           |       | Sum of Gross Amt      | \$ -         | \$ -         | \$ -         |         | \$ -          |
|           |       | Sum of Prod Fund      |              |              |              |         |               |
|           | AN    | Sum of Add To Net Amt |              | \$ -         |              |         | \$ -          |
|           |       | Sum of Gross Amt      |              | \$ 167.01    |              |         | \$ 167.01     |
|           |       | Sum of Prod Fund      |              |              |              |         |               |
|           | AS    | Sum of Add To Net Amt | \$ -         | \$ -         |              |         | \$ -          |
|           |       | Sum of Gross Amt      | \$ -         | \$ -         |              |         | \$ -          |
|           |       | Sum of Prod Fund      |              |              |              |         |               |
|           | D7    | Sum of Add To Net Amt |              |              | \$ -         |         | \$ -          |
|           |       | Sum of Gross Amt      |              |              | \$ 350.00    |         | \$ 350.00     |
|           |       | Sum of Prod Fund      |              |              |              |         |               |
|           | DM    | Sum of Add To Net Amt | \$ -         | \$ -         | \$ -         |         | \$ -          |
|           |       | Sum of Gross Amt      | \$ -         | \$ -         | \$ -         |         | \$ -          |
|           |       | Sum of Prod Fund      |              |              |              |         |               |
|           | FC    | Sum of Add To Net Amt | \$ -         |              |              |         | \$ -          |
|           |       | Sum of Gross Amt      | \$ -         |              |              |         | \$ -          |
|           |       | Sum of Prod Fund      |              |              |              |         |               |
|           | HO    | Sum of Add To Net Amt | \$ -         | \$ -         | \$ -         |         | \$ -          |
|           |       | Sum of Gross Amt      | \$ 2,225.84  | \$ 1,884.60  | \$ 1,679.20  |         | \$ 5,789.64   |
|           |       | Sum of Prod Fund      |              |              |              |         |               |
|           | HW    | Sum of Add To Net Amt | \$ -         | \$ -         | \$ -         |         | \$ -          |
|           |       | Sum of Gross Amt      | \$ 373.85    | \$ 389.74    | \$ 434.00    |         | \$ 1,197.59   |
|           |       | Sum of Prod Fund      | \$ 72.00     | \$ 72.00     |              |         | \$ 144.00     |
|           | IW    | Sum of Add To Net Amt | \$ -         | \$ -         | \$ -         |         | \$ -          |
|           |       | Sum of Gross Amt      | \$ 165.01    | \$ 172.02    | \$ 191.56    |         | \$ 528.59     |
|           |       | Sum of Prod Fund      |              |              |              |         |               |
|           | M1    | Sum of Add To Net Amt | \$ 168.00    | \$ 6.00      | \$ 126.00    | \$ 6.00 | \$ 306.00     |
|           |       | Sum of Gross Amt      | \$ -         | \$ -         | \$ -         | \$ -    | \$ -          |
|           |       | Sum of Prod Fund      |              |              |              |         |               |
|           | M2    | Sum of Add To Net Amt | \$ 24.00     | \$ 12.00     | \$ 36.00     |         | \$ 72.00      |
|           |       | Sum of Gross Amt      | \$ -         | \$ -         | \$ -         |         | \$ -          |
|           |       | Sum of Prod Fund      |              |              |              |         |               |
|           | OM    | Sum of Add To Net Amt |              |              | \$ -         |         | \$ -          |
|           |       | Sum of Gross Amt      |              |              | \$ 1,047.69  |         | \$ 1,047.69   |
|           |       | Sum of Prod Fund      |              |              |              |         |               |
|           | OT    | Sum of Add To Net Amt | \$ -         | \$ -         | \$ -         |         | \$ -          |
|           |       | Sum of Gross Amt      | \$ 29,329.06 | \$ 33,962.19 | \$ 37,008.40 |         | \$ 100,299.65 |
|           |       | Sum of Prod Fund      |              |              |              |         |               |
|           | PE    | Sum of Add To Net Amt |              | \$ -         |              |         | \$ -          |
|           |       | Sum of Gross Amt      |              | \$ -         |              |         | \$ -          |
|           |       | Sum of Prod Fund      |              |              |              |         |               |
|           | PL    | Sum of Add To Net Amt |              | \$ -         | \$ -         |         | \$ -          |
|           |       | Sum of Gross Amt      |              | \$ -         | \$ -         |         | \$ -          |
|           |       | Sum of Prod Fund      |              |              |              |         |               |
|           | RC    | Sum of Add To Net Amt | \$ -         | \$ -         |              |         | \$ -          |
|           |       | Sum of Gross Amt      | \$ 1,680.10  | \$ 2,592.31  |              |         | \$ 4,272.41   |
|           |       | Sum of Prod Fund      |              |              |              |         |               |
|           | RE    | Sum of Add To Net Amt |              |              | \$ -         |         | \$ -          |
|           |       | Sum of Gross Amt      |              |              | \$ 27.96     |         | \$ 27.96      |
|           |       | Sum of Prod Fund      |              |              |              |         |               |
|           | RO    | Sum of Add To Net Amt |              | \$ -         |              |         | \$ -          |
|           |       | Sum of Gross Amt      |              | \$ 180.00    |              |         | \$ 180.00     |
|           |       | Sum of Prod Fund      |              |              |              |         |               |
|           | SE    | Sum of Add To Net Amt |              |              | \$ -         |         | \$ -          |

|  |       |                       | Brakeman     | Conductor    | Engineer      |           |               |
|--|-------|-----------------------|--------------|--------------|---------------|-----------|---------------|
|  |       | Sum of Gross Amt      |              |              | \$ 15.00      |           | \$ 15.00      |
|  |       | Sum of Prod Fund      |              |              |               |           |               |
|  | SM    | Sum of Add To Net Amt | \$ -         |              |               |           | \$ -          |
|  |       | Sum of Gross Amt      | \$ 319.27    |              |               |           | \$ 319.27     |
|  |       | Sum of Prod Fund      |              |              |               |           |               |
|  | SQ    | Sum of Add To Net Amt | \$ -         | \$ -         | \$ -          |           | \$ -          |
|  |       | Sum of Gross Amt      | \$ 132.97    | \$ 340.23    | \$ 371.91     |           | \$ 845.11     |
|  |       | Sum of Prod Fund      |              |              |               |           |               |
|  | ST    | Sum of Add To Net Amt | \$ -         | \$ -         | \$ -          | \$ -      | \$ -          |
|  |       | Sum of Gross Amt      | \$ 37,225.46 | \$ 42,742.14 | \$ 47,399.83  | \$ 400.00 | \$ 127,767.43 |
|  |       | Sum of Prod Fund      | \$ 17,352.00 | \$ 18,072.00 |               |           | \$ 35,424.00  |
|  | V1    | Sum of Add To Net Amt | \$ -         |              | \$ -          |           | \$ -          |
|  |       | Sum of Gross Amt      | \$ 1,051.48  |              | \$ 4,770.63   |           | \$ 5,822.11   |
|  |       | Sum of Prod Fund      | \$ 288.00    |              |               |           | \$ 288.00     |
|  | VC    | Sum of Add To Net Amt | \$ -         | \$ -         | \$ -          |           | \$ -          |
|  |       | Sum of Gross Amt      | \$ 6,346.56  | \$ 1,451.51  | \$ 10,023.07  |           | \$ 17,821.14  |
|  |       | Sum of Prod Fund      | \$ 2,520.00  | \$ 504.00    |               |           | \$ 3,024.00   |
|  | VP    | Sum of Add To Net Amt |              |              | \$ -          |           | \$ -          |
|  |       | Sum of Gross Amt      |              |              | \$ 326.68     |           | \$ 326.68     |
|  |       | Sum of Prod Fund      |              |              |               |           |               |
|  | P91P3 | Sum of Add To Net Amt | \$ 1,650.94  | \$ 522.96    | \$ 815.71     | \$ 6.00   | \$ 2,995.61   |
|  | P91P3 | Sum of Gross Amt      | \$ 78,849.60 | \$ 84,281.75 | \$ 103,645.93 | \$ 400.00 | \$ 267,177.28 |
|  | P91P3 | Sum of Prod Fund      | \$ 20,232.00 | \$ 18,648.00 |               |           | \$ 38,880.00  |
|  | Total | Sum of Add To Net Amt | \$ 1,650.94  | \$ 522.96    | \$ 815.71     | \$ 6.00   | \$ 2,995.61   |
|  | Total | Sum of Gross Amt      | \$ 78,849.60 | \$ 84,281.75 | \$ 103,645.93 | \$ 400.00 | \$ 267,177.28 |
|  | Total | Sum of Prod Fund      | \$ 20,232.00 | \$ 18,648.00 |               |           | \$ 38,880.00  |
|  |       | Gross ST earnings     | \$ 49,520.54 | \$ 50,319.56 | \$ 66,637.53  |           |               |
|  |       | Productivity Fund     | \$ 20,232.00 | \$ 18,648.00 | \$ -          |           |               |
|  |       | Add to Net            | \$ 1,650.94  | \$ 522.96    | \$ 815.71     |           |               |
|  |       |                       |              |              |               |           |               |
|  |       |                       |              |              |               |           |               |

**STB Docket No. AB-149 (Sub-No. 2X)**  
**Winston-Salem Southbound Railway Company**  
**- Abandonment of Operating Rights-**  
**Whitney – Badin, NC**

**WORKPAPERS**

- a. Financials – background
- b. Financials spreadsheet
- c. Locomotive ROI
- d. Locomotive Depreciation
- e. Crew materials
- f. Locomotive service
- g. Locomotive repairs
- h. Locomotive fuel
- i. Working capital
- j. Locomotive Holding

# Background

WSSB Whitney-Badin, NC Abandonment  
 Winston Salem Southbound Railway Company  
 Proposed Abandonment of Operating Rights  
 Whitney, NC to Badin, NC  
 Milepost WF 5.90 to WF 11.11

## Background Data:

|                | Ending Quarter         |
|----------------|------------------------|
| Base Year:     | 10/04 - 09/05 2005 Q 3 |
| Forecast Year: | 03/06 - 02/07 2007 Q 1 |

## Hypothetical Case

(Numbers in red change once a year)

(Numbers in blue change for specific branch line)

Note: Engine/crew operates in dedicated service 3 days - 8 hours day/per week.

|                     |       |
|---------------------|-------|
| Beginning Milepost: | 5.90  |
| Ending Milepost     | 11.11 |
| Miles to abandon    | 5.21  |
| Trips per year:     | 156   |

|                                                           |                    |
|-----------------------------------------------------------|--------------------|
| Number days per week serve branch line?                   | 3.0                |
| Crew size?                                                | 3                  |
| Roundtrip mileage crew taxied                             | 0                  |
| Hours per day required to serve line (includes switching) | 5.6 Dedicated Crew |

|                     | Revenue                 |
|---------------------|-------------------------|
| Traffic:            | CL's Revenue Per Car    |
| NS Traffic to WSSB  | 112 \$ 13,597 \$ 121.40 |
| CSX traffic to WSSB | 173 \$ 29,998 \$ 173.40 |
| Totals              | 285 \$ 43,595           |

Cost to move cars in existing WSSB service

|                       | Cars | Cost      | Cost per car |
|-----------------------|------|-----------|--------------|
| Wadesboro - Whitney   | 173  | \$ 28,199 | \$ 163       |
| Lexington - High Rock | 112  | \$ 10,192 | \$ 91        |
| Total                 |      | \$ 38,391 |              |

|                                      |                    |
|--------------------------------------|--------------------|
| Average MPH service on line?         | 10                 |
| Annualized Maintenance (Engineering) | \$ 111,350         |
| Hours for loco ownership?            | 5.6 Dedicated Loco |

| Miles | Minutes | Hours | Task                                                                                                                                               |
|-------|---------|-------|----------------------------------------------------------------------------------------------------------------------------------------------------|
| 5.2   | 31.2    | 0.52  | 5.2 miles transit @ 10 mph on branch                                                                                                               |
|       |         |       | Making up train at High Rock, switching at Whitney and Badin, tying                                                                                |
|       | 210.0   | 3.50  | up train at High Rock                                                                                                                              |
|       |         |       | Train from High Rock to Whitney and return to High Rock, NC at a weighted average of 22 mph (30 mph running speed, 10 mph within 1.03 yard limits) |
| 22.6  | 61.6    | 1.03  | yard limits                                                                                                                                        |
| 5.2   | 31.2    | 0.52  | 5.2 miles transit @ 10 mph on branch                                                                                                               |
| 33.0  | 334.0   | 5.6   | branch/sole customer, Alcoa, Inc.                                                                                                                  |
|       |         |       | Total round trip time required to service                                                                                                          |
|       |         |       | 31.5% of trip miles of new assignment are on-branch                                                                                                |

## Crew Stats:

|           | Gross earnings | Productivity | Fringe    | Add to Net | Days per Week | Hours attributable to Badin service per week | % in Badin svc. | Total Earnings Attributable to Badin Service |
|-----------|----------------|--------------|-----------|------------|---------------|----------------------------------------------|-----------------|----------------------------------------------|
| Conductor | \$ 45,762      | \$ -         | \$ 14,719 | \$ -       | 3             | 17                                           | 42%             | \$ 25,254                                    |
| Brakeman  | \$ 44,254      | \$ -         | \$ 14,234 | \$ -       | 3             | 17                                           | 42%             | \$ 24,421                                    |
| Engineer  | \$ 48,415      | \$ -         | \$ 15,573 | \$ -       | 3             | 17                                           | 42%             | \$ 26,718                                    |
| Totals    | \$ 138,432     |              | \$ 44,526 |            |               |                                              |                 | \$ 76,393                                    |

Loco Stats: (from loco master)

Category Loco Used:

5

Number Used:

1

Average Tons

131.3

2005 Age

31.2

## 1. Loco Unit Hours

## A. For ownership (Depreciation &amp; ROI)

5.6 hrs/trip \* 156 trips/yr = 868.4945455 hours/year

## B. For Usage (fuel)

5.6 hrs/trip \* 156 trips/yr = 868.4945455 hours/year

## 2. Loco Unit Miles

## Running:

|          |         |         |            |         |                      |       |
|----------|---------|---------|------------|---------|----------------------|-------|
| Milepost | 11.11   | less MP | 5.9        | =       | 5.21                 | miles |
| 16.50    | miles * | 2       | =          | 33      | miles per round trip |       |
| 33       | miles * | 156     | trips/yr = | 5148.00 | miles                |       |

## Switching:

3.50 hours \* 6 MPH \* 156 Trips/yr = 3276 miles

## TOTAL:

5148.00 + 3276 = 8424.00 LUM

## 3. Loco Gross Ton Miles

8424.00 LUM \* 131.3 tons = 1,106,071 LGTM

Winston Salem Southbound Railway Company

Proposed Abandonment of Operating Rights

Whitney, NC to Badin, NC

M

3/27/2006

## WSSB Whitney-BadIn, NC Abandonment

|                                                                                     | ACCOUNT<br>NO. | BASE<br>YEAR<br>10/04 - 09/05 | FORECAST<br>YEAR<br>03/06 - 02/07 | Spreadsheet/Source            |
|-------------------------------------------------------------------------------------|----------------|-------------------------------|-----------------------------------|-------------------------------|
| GDP deflator adjustment:                                                            |                |                               | 3.73%                             | From GDP Deflator Spreadsheet |
| <b>Revenues:</b>                                                                    |                |                               |                                   |                               |
| 1 a. Freight Org'd or Tm'd on branch                                                | 101            | \$0                           | \$0                               |                               |
| b. Switching                                                                        | 104            | \$43,595                      | \$45,221                          |                               |
| 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)                                   |                | \$ 43,595                     | \$ 45,221                         |                               |
| <b>Avoidable cost:</b>                                                              |                |                               |                                   |                               |
| 5 On-branch costs (from spreadsheets)                                               |                |                               |                                   |                               |
| a. Maintenance of way and structures                                                |                | \$ 111,350                    | \$ 115,502                        | From Engineering              |
| b. Maintenance of equipment                                                         |                |                               |                                   |                               |
| 1 Locomotives:                                                                      |                |                               |                                   |                               |
| Repairs & maintenance                                                               | 11-21-41 L     | \$ 1,976                      | \$ 2,050                          | Loco Repairs                  |
|                                                                                     | 21-21-41 M     | 3,702                         | 3,840                             | Loco Repairs                  |
|                                                                                     | 41-21-41 P     | 175                           | 182                               | Loco Repairs                  |
|                                                                                     | 61-21-41 G     | 1                             | 1                                 | Loco Repairs                  |
| Fringe benefits                                                                     | 12-21-00 G     | 745                           | 773                               | Loco Repairs                  |
| Depreciation                                                                        | 62-21-00 G     | 0                             | 0                                 | Loco Depreciation             |
| Total Locomotives                                                                   |                | \$ 6,599                      | \$ 6,846                          |                               |
| 2 Other                                                                             |                | 0                             | 0                                 |                               |
| Total Equipment                                                                     |                | \$ 6,599                      | \$ 6,846                          |                               |
| c. Transportation                                                                   |                |                               |                                   |                               |
| 1 Train operations                                                                  |                |                               |                                   |                               |
| Engine crews                                                                        | 11-31-56 L     | \$ 26,718                     | \$ 27,714                         | Transportation                |
|                                                                                     | 21-31-56 M     | 0                             | 0                                 | Crew Materials                |
| Train crews                                                                         | 11-31-57 L     | 49,675                        | 51,527                            | Transportation                |
|                                                                                     | 21-31-57 M     | 12                            | 12                                | Crew Materials                |
| Train inspect. & lubr.                                                              | 11-31-62 L     | 410                           | 425                               | Crew Materials                |
|                                                                                     | 21-31-62 M     | 1                             | 1                                 | Crew Materials                |
| Locomotive fuel                                                                     |                | 38,506                        | 39,942                            | Loco Fuel                     |
| Servicing locomotives                                                               | 11-31-69 L     | 814                           | 844                               | Loco Service                  |
|                                                                                     | 21-31-69 M     | 385                           | 399                               | Loco Service                  |
|                                                                                     | 41-31-69 P     | 219                           | 227                               | Loco Service                  |
|                                                                                     | 61-31-69 G     | 0                             | 0                                 | Loco Service                  |
| Fringe benefits                                                                     | 12-31-00 G     | 0                             | 0                                 | Included in labor             |
| Total transportation                                                                |                | \$ 116,740                    | \$ 121,091                        |                               |
| c. General administrative                                                           |                | 0                             | 0                                 |                               |
| e. Deadheading, taxi and hotel                                                      |                | 0                             | 0                                 | Transportation                |
| f. Overhead movement Wadesboro - Whitney and Lexington - High Rock                  |                | 38,391                        | 39,823                            |                               |
| g. Freight car costs (other than return on freight cars)                            |                | 0                             | 0                                 |                               |
| h. Return on value - locomotives                                                    |                | 0                             | 0                                 | Loco ROI                      |
| i. Return on value - freight cars                                                   |                | 0                             | 0                                 |                               |
| j. Revenue taxes                                                                    |                | 0                             | 0                                 |                               |
| k. Property taxes                                                                   |                | 0                             | 0                                 |                               |
| l. Total (Lines 5a through 5k)                                                      |                | \$ 273,080                    | \$ 283,262                        |                               |
| m. Holding gain (loss)-locomotives                                                  |                |                               | 0                                 | Loco Holding                  |
| n. Holding gain (loss)-freight cars                                                 |                |                               | 0                                 |                               |
| o. Net on-branch and off-branch costs (Lines 5l-5m+5n)                              |                | \$ 273,080                    | \$ 283,262                        |                               |
| 7 Total avoidable costs (Line 5o + 6d)                                              |                |                               | 273,080                           | 283,262                       |
| <b>Summary of avoidable costs:</b>                                                  |                |                               |                                   |                               |
| On-branch costs                                                                     |                | \$ 150,221                    | \$ 155,822                        |                               |
| Off-branch costs                                                                    |                | 122,860                       | 127,441                           |                               |
| Total                                                                               |                | \$ 273,080                    | \$ 283,263                        |                               |
| <b>Subsidization costs:</b>                                                         |                |                               |                                   |                               |
| 8 Rehabilitation                                                                    |                |                               | 0                                 |                               |
| 9 Administrative costs                                                              |                |                               | 0                                 |                               |
| 10 Casualty reserve account                                                         |                |                               | 0                                 |                               |
| 11 Total subsidization costs (Lines 8 thru 10)                                      |                |                               | 0                                 |                               |
| 12 Valuation of road properties (Lines 12a thru 12c)                                |                |                               |                                   |                               |
| (a) Working capital                                                                 |                |                               | 6,389                             | Working Capital               |
| (b) Income tax consequences                                                         |                |                               | 0                                 | Working Capital               |
| (c) Net liquidation value                                                           |                |                               | 0                                 | Working Capital               |
| Total valuation of properties                                                       |                |                               | 6,389                             | Working Capital               |
| 13 Nominal rate of return                                                           |                |                               | 14.87%                            | Pre Tax nominal rate          |
| 14 Nominal return on value (Line 12 * Line 13)                                      |                |                               | 950                               |                               |
| 15 Holding gain (loss) on road properties                                           |                |                               | 0                                 |                               |
| 16 Return on value (Line 14-15)                                                     |                |                               | 950                               |                               |
| 17 Avoidable loss (profit) from operations (Line 7 - 4)                             |                | 229,485                       | 238,041                           |                               |
| (excludes nominal return on value and opportunity cost, which are avoidable costs). |                |                               |                                   |                               |
| 18 Avoidable Loss Including Return on Value (Line 4-7+16)                           |                |                               | 238,991                           |                               |
| 19 Avoidable Loss Including Subsidization Costs and Return on Value                 |                |                               | 238,991                           |                               |
| (Line 4-7+11+16)                                                                    |                |                               |                                   |                               |

Winston Salem Southbound Railway Company

Proposed 3/27/2006

**LOCOMOTIVE RETURN ON INVESTMENT**  
**WSSB Whitney-Badin, NC Abandonment**

|                                                                                                 | Base Year<br>10/04 - 09/05  |
|-------------------------------------------------------------------------------------------------|-----------------------------|
|                                                                                                 | <u>GMA'S LOCO<br/>CAT 5</u> |
| A. SYSTEM LOCO UNIT HOURS                                                                       | 10,817,203                  |
| B. SYSTEM LOCO UNITS                                                                            | 3,291.5                     |
| C. SYS LOCO UNIT HRS./LOCO UNIT<br>(LINE A / LINE B)                                            | 3,286                       |
| D. REPLACEMENT COST                                                                             | \$1,374,773                 |
| E. DEPRECIATION RATE                                                                            | 3.58%                       |
| F. ANNUAL DEPRECIATION<br>(LINE D x LINE E)                                                     | \$49,217                    |
| G. LOCO AGE                                                                                     | 31.2                        |
| H. ACCUMULATED DEPRECIATION<br>(LINE F x LINE G)                                                | \$1,535,570                 |
| I. NET INVESTMENT<br>(LINE D - LINE H)                                                          | \$0                         |
| J. COST OF CAPITAL                                                                              | 14.87%                      |
| K. ANNUAL ROI<br>(LINE I x LINE J)                                                              | \$0                         |
| L. LOCO UNITS BY CATEGORY<br>(100% SAMPLE)                                                      | 1                           |
| M. TOTAL LOCO UNITS IN SAMPLE                                                                   | 1                           |
| N. RATIO LOCO UNITS BY CATEGORY<br>(LINE L / LINE M)                                            | 1.00                        |
| O. LOCO UNIT HOURS ON BRANCH                                                                    | 868.4945455                 |
| P. LOCO UNIT HOURS ON BRANCH<br>BY LOCO CATEGORY<br>(LINE N x LINE C)                           | 868.0                       |
| Q. RATIO LOCO UNIT HOURS ON BRANCH<br>TO SYS LOCO UNIT HOURS<br>PER LOCO UNIT (LINE P / LINE C) | 0.264                       |
| R. ANNUAL ROI ON BRANCH<br>(LINE K x LINE Q)                                                    | \$0                         |
| S. TOTAL ROI<br>(SUM OF LINE R AMOUNTS)                                                         | \$0                         |

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

Winston Salem Southbound Railway Company  
3/27/2006

Pro

|                                                                                                 | Forecast Year<br>03/06 - 02/07<br>----- |
|-------------------------------------------------------------------------------------------------|-----------------------------------------|
|                                                                                                 | GMA'S LOCO<br>CAT 5<br>-----            |
| A. SYSTEM LOCO UNIT HOURS                                                                       | 10,817,203                              |
| B. SYSTEM LOCO UNITS                                                                            | 3,292                                   |
| C. SYS LOCO UNIT HRS./LOCO UNIT<br>(LINE A / LINE B)                                            | 3,286                                   |
| D. REPLACEMENT COST                                                                             | \$1,584,998                             |
| E. DEPRECIATION RATE                                                                            | 3.58%                                   |
| F. ANNUAL DEPRECIATION<br>(LINE D x LINE E)                                                     | \$56,743                                |
| G. LOCO AGE                                                                                     | 32.2                                    |
| H. ACCUMULATED DEPRECIATION<br>(LINE F x LINE G)                                                | \$1,827,125                             |
| I. NET INVESTMENT<br>(LINE D - LINE H)                                                          | \$0                                     |
| J. COST OF CAPITAL                                                                              | 14.87%                                  |
| K. ANNUAL ROI<br>(LINE I x LINE J)                                                              | \$0                                     |
| L. LOCO UNITS BY CATEGORY<br>(100% SAMPLE)                                                      | 1                                       |
| M. TOTAL LOCO UNITS IN SAMPLE                                                                   | 1                                       |
| N. RATIO LOCO UNITS BY CATEGORY<br>(LINE L / LINE M)                                            | 1.00                                    |
| O. LOCO UNIT HOURS ON BRANCH                                                                    | 868.4945455                             |
| P. LOCO UNIT HOURS ON BRANCH<br>BY LOCO CATEGORY<br>(LINE N x LINE O)                           | 868.0                                   |
| Q. RATIO LOCO UNIT HOURS ON BRANCH<br>TO SYS LOCO UNIT HOURS<br>PER LOCO UNIT (LINE P / LINE C) | 0.264                                   |
| R. ANNUAL ROI ON BRANCH<br>(LINE K x LINE Q)                                                    | \$0                                     |
| S. TOTAL ROI<br>(SUM OF LINE R AMOUNTS)                                                         | \$0                                     |

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

Winston Salem Southbound Railway Company  
3/27/2006

Pro

## LOCOMOTIVE DEPRECIATION

## WSSB Whitney-Badin, NC Abandonment

Base Year  
10/04 - 09/05

GMA'S LOCO  
CAT 5

|                                                                                                 |             |
|-------------------------------------------------------------------------------------------------|-------------|
| A. SYSTEM LOCO UNIT HOURS                                                                       | 10,817,203  |
| B. SYSTEM LOCO UNITS                                                                            | 3,292       |
| C. SYS LOCO UNIT HRS./LOCO UNIT<br>(LINE A / LINE B)                                            | 3,286       |
| D. REPLACEMENT COST                                                                             | \$1,374,773 |
| E. DEPRECIATION RATE                                                                            | 3.58%       |
| F. ANNUAL DEPRECIATION<br>(LINE D x LINE E)                                                     | \$0         |
| G. LOCO UNITS BY CATEGORY<br>(100% SAMPLE)                                                      | 1           |
| H. TOTAL LOCO UNITS IN SAMPLE                                                                   | 1           |
| I. RATIO LOCO UNITS BY CATEGORY<br>(LINE G / LINE H)                                            | 1.0         |
| J. LOCO UNIT HOURS ON BRANCH                                                                    | 868         |
| K. LOCO UNIT HOURS ON BRANCH<br>BY LOCO CATEGORY<br>(LINE I x LINE J)                           | 868         |
| L. RATIO LOCO UNIT HOURS ON BRANCH<br>TO SYS LOCO UNIT HOURS<br>PER LOCO UNIT (LINE K / LINE C) | 0.264       |
| M. ANNUAL DEPRECIATION ON BRANCH<br>(LINE F x LINE L)                                           | \$0         |
| N. TOTAL DEPRECIATION<br>(SUM OF LINE M AMOUNTS)                                                | \$0         |

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

Winston Salem Southbound Railway Company  
3/27/2006

Prop

## LOCOMOTIVE DEPRECIATION

## WSSB Whitney-Badin, NC Abandonment

Forecast Year  
03/06 - 02/07GMA'S LOCO  
CAT 5

|                                                                                                 |             |
|-------------------------------------------------------------------------------------------------|-------------|
| A. SYSTEM LOCO UNIT HOURS                                                                       | 10,817,203  |
| B. SYSTEM LOCO UNITS                                                                            | 3,292       |
| C. SYS LOCO UNIT HRS./LOCO UNIT<br>(LINE A / LINE B)                                            | 3,286       |
| D. REPLACEMENT COST                                                                             | \$1,584,998 |
| E. DEPRECIATION RATE                                                                            | 3.58%       |
| F. ANNUAL DEPRECIATION<br>(LINE D x LINE E)                                                     | \$0         |
| G. LOCO UNITS BY CATEGORY<br>(100% SAMPLE)                                                      | 1           |
| H. TOTAL LOCO UNITS IN SAMPLE                                                                   | 1           |
| I. RATIO LOCO UNITS BY CATEGORY<br>(LINE G / LINE H)                                            | 1.0         |
| J. LOCO UNIT HOURS ON BRANCH                                                                    | 868         |
| K. LOCO UNIT HOURS ON BRANCH<br>BY LOCO CATEGORY<br>(LINE I x LINE J)                           | 868         |
| L. RATIO LOCO UNIT HOURS ON BRANCH<br>TO SYS LOCO UNIT HOURS<br>PER LOCO UNIT (LINE K / LINE C) | 0.264       |
| M. ANNUAL DEPRECIATION ON BRANCH<br>(LINE F x LINE L)                                           | \$0         |
| N. TOTAL DEPRECIATION<br>(SUM OF LINE M AMOUNTS)                                                | \$0         |

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

## CREW MATERIALS (TRAIN &amp; ENGINE) AND TRAIN INSPECTION AND LUBRICATION

WSSB Whitney-Badin, NC Abandonment

|                                                              | Base Year<br>10/04 - 09/05               |                                         |                                   |                         |
|--------------------------------------------------------------|------------------------------------------|-----------------------------------------|-----------------------------------|-------------------------|
|                                                              | ENGINE<br>CREW<br>MATERIAL<br>(21-31-56) | TRAIN<br>CREW<br>MATERIAL<br>(21-31-57) | TRAIN INSPECTION<br>& LUBRICATION |                         |
|                                                              |                                          |                                         | WAGES<br>(11-31-62)               | MATERIALS<br>(21-31-62) |
| A. SYSTEM EXPENSES                                           | \$56,000                                 | \$1,520,000                             | \$53,624,000                      | \$161,000               |
| B. CAR MILE PORTION RATIO                                    | 69%                                      | 69%                                     | 69%                               | 69%                     |
| C. SYSTEM CAR MILE EXPENSES<br>(LINE A x LINE B)             | \$38,640                                 | \$1,048,800                             | \$37,000,560                      | \$111,090               |
| D. SYSTEM CAR MILES L & E<br>(RR OWN & LEA, PVT & NO PAY MI) | 4,655,590,000                            | 4,655,590,000                           | 4,655,590,000                     | 4,655,590,000           |
| E. SYSTEM EXPENSES PER CAR MILE L/E<br>(LINE C / LINE D)     | \$0.0000083                              | \$0.0002253                             | \$0.0079476                       | \$0.0000239             |
| F. BRANCH CAR MILES L & E                                    | 2,970                                    | 2,970                                   | 2,970                             | 2,970                   |
| G. BRANCH CAR MILE EXPENSES<br>(LINE E x LINE F)             | \$0                                      | \$1                                     | \$24                              | \$0                     |
| H. CARLOAD PORTION RATIO                                     | 31%                                      | 31%                                     | 31%                               | 31%                     |
| I. SYSTEM CAR LOAD EXPENSES<br>(LINE A x LINE H)             | \$17,360                                 | \$471,200                               | \$16,623,440                      | \$49,910                |
| J. SYSTEM CARLOADS (QCS-COST DEPT)                           | 12,273,466                               | 12,273,466                              | 12,273,466                        | 12,273,466              |
| K. SYSTEM EXPENSES PER CARLOAD<br>(LINE I / LINE J)          | \$0.00141                                | \$0.03839                               | \$1.35442                         | \$0.00407               |
| L. BRANCH CARLOADS                                           | 285                                      | 285                                     | 285                               | 285                     |
| M. BRANCH CARLOAD EXPENSES<br>(LINE K x LINE L)              | \$0                                      | \$11                                    | \$386                             | \$1                     |
| TOTAL EXPENSES<br>(LINE G + LINE M)                          | \$0                                      | \$12                                    | \$410                             | \$1                     |

**SERVICING LOCOMOTIVES****WSSB Whitney-Badin, NC Abandonment**

**Base Year**  
**10/04 - 09/05**

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|                                                                     |              |
|---------------------------------------------------------------------|--------------|
| A. BRANCH LOCO UNIT MILES                                           | 8,424        |
| B. SYSTEM LOCO UNIT MILES                                           | 174,442,542  |
| C. RATIO (LINE A/ LINE B)                                           | 0.000048     |
| D. SYSTEM LABOR EXPENSE<br>(ACC 11-31-69) (R-1, Sch. 410, Line 411) | \$16,857,000 |
| E. BRANCH LABOR EXPENSE<br>(LINE C x LINE D)                        | \$814        |
| F. SYSTEM MATERIAL EXPENSE<br>(ACC 21-31-69)                        | \$7,966,000  |
| G. BRANCH MATERIAL EXPENSE<br>(LINE C x LINE F)                     | \$385        |
| H. SYSTEM PURCHASED EXPENSE<br>(ACC 41-31-69)                       | \$4,532,000  |
| I. BRANCH PURCHASED EXPENSE<br>(LINE C x LINE H)                    | \$219        |
| J. SYSTEM GENERAL EXPENSE<br>(ACC 61-31-69)                         | \$0          |
| K. BRANCH GENERAL EXPENSE<br>(LINE C x LINE J)                      | \$0          |

Winston Salem Southbound Railway Company  
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Proposed Abandonment

## LOCOMOTIVE REPAIRS AND MAINTENANCE

## WSSB Whitney-Badin, NC Abandonment

Base Year  
10/04 - 09/05

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|                                                   |                |
|---------------------------------------------------|----------------|
| A. BRANCH TONS PER UNIT                           | 131            |
| B. BRANCH LOCO UNIT MILES                         | 8,424          |
| C. BRANCH LOCO GTM<br>(LINE A x LINE B)           | 1,106,071      |
| D. SYSTEM LOCO GTM                                | 31,979,527,000 |
| E. RATIO (LINE C / LINE D)                        | 0.000035       |
| F. RATIO ROAD PORTION                             | 0.929          |
| G. SYSTEM LABOR EXPENSE<br>(ACC 11-21-41)         | \$61,530,000   |
| H. BRANCH LABOR EXPENSE<br>(LINE'S E x F x G)     | \$1,976        |
| I. SYSTEM MATERIAL EXPENSE<br>(ACC 21-21-41)      | \$115,262,000  |
| J. BRANCH MATERIAL EXPENSE<br>(LINE'S E x F x I)  | \$3,702        |
| K. SYSTEM PURCHASED EXPENSE<br>(ACC 41-21-41)     | \$5,442,000    |
| L. BRANCH PURCHASED EXPENSE<br>(LINE'S E x F x K) | \$175          |
| M. SYSTEM GENERAL EXPENSE<br>(ACC 61-21-41)       | \$43,000       |
| N. BRANCH GENERAL EXPENSE<br>(LINE'S E x F x M)   | \$1            |
| O. FRINGE RATE                                    | 37.71%         |
| P. TOTAL FRINGES<br>(LINE H x LINE O)             | \$745          |

## LOCOMOTIVE FUEL

## WSSB Whitney-Badin, NC Abandonment

Base Year  
10/04 - 09/05

-----  
GMA'S LOCO  
CAT 5  
-----

|                                                                         |          |
|-------------------------------------------------------------------------|----------|
| A. GMA'S REPAIR & SUPPLIES<br>COSTS PER LOCO UNIT HR.<br>(AS OF 7/1/82) | \$55.60  |
| B. GMA'S FUEL PORTION                                                   | 0.64     |
| C. FUEL EXPENSE PER LOCO UNIT HR.<br>(LINE A x LINE B)                  | \$35.58  |
| D. AAR'S CRC INDEX - FUEL<br>(ANNUAL 1982 TO CURRENT YEAR)              | 1.246    |
| E. FUEL EXPENSE PER LOCO UNIT HR.<br>(LINE C x D)                       | \$44.34  |
| F. LOCO UNITS BY CATEGORY<br>(20% SAMPLE)                               | 1        |
| G. TOTAL LOCO UNITS IN SAMPLE                                           | 1        |
| H. RATIO LOCO UNITS BY CATEGORY<br>(LINE F / LINE G)                    | 1.00     |
| I. TOTAL LOCO UNIT HOURS<br>ON BRANCH                                   | 868      |
| J. LOCO UNIT HOURS ON BRANCH<br>BY LOCO CATEGORY<br>(LINE H x LINE I)   | 868      |
| K. FUEL EXPENSES BY CATEGORY<br>(LINE E x LINE J)                       | \$38,506 |
| L. TOTAL FUEL EXPENSES<br>(SUM OF LINE K AMOUNTS)                       | \$38,506 |

Winston Salem Southbound Railway Company  
3/27/2006

Proposed Abandonment

# Working Capital

## WSSB Whitney-Badin, NC Abandonment

| Working Capital                                                                     | 03/06 - 02/07 |
|-------------------------------------------------------------------------------------|---------------|
|                                                                                     | Forecast      |
|                                                                                     | <u>Year</u>   |
| On branch avoidable cost                                                            | 155,822       |
| less loco dep                                                                       | 0             |
| less frt car dep                                                                    | 0             |
| subtotal                                                                            | 155,822       |
| @ 15 days on branch cash avoidable cost (provision 49 CFR 1152.34)<br>15/365= 0.041 |               |
| Working Capital                                                                     | 6,389         |

### Income Tax Consequences

NLV \* 37% Tax Rate

Present (begin forecast year) NLV =

0

0 Nominal opportunity cost

End of Forecast Year NLV =

0 \* 37% =

0 Income tax consequences

Holding gain road properties

0

Opportunity cost

0

Winston Salem Southbound Railway Company  
3/27/2006

Proposed Abandonment of Operating Rights

**LOCOMOTIVE RETURN ON INVESTMENT  
LESS HOLDING GAIN(LOSS)**

WSSB Whitney-Badin, NC Abandonment

**FORECAST YEAR  
GMA'S LOCO  
CAT 5**

|                                                                   |             |
|-------------------------------------------------------------------|-------------|
| A. SYSTEM LOCO UNIT HOURS                                         | 10,817,203  |
| B. SYSTEM LOCO UNITS                                              | 3,292       |
| C. SYS LOCO UNIT HRS./LOCO UNIT<br>(LINE A / LINE B)              | 3,286       |
| D. REPLACEMENT COST<br>(END OF FORECAST YEAR)                     | 1,584,998   |
| E. REPLACEMENT COST<br>(BEGINNING OF FORECAST YEAR)               | 1,374,773   |
| F. HOLDING GAIN(LOSS) AT REPLACEMENT<br>(LINE D - LINE E)         | 210,225     |
| G. TOTAL YEARS DEPRECIATION<br>( 100% / 3.86% )                   | 27.9        |
| H. LOCOMOTIVE AGE                                                 | 32.2        |
| I. NET BASE INVESTMENT YEARS<br>(LINE G - LINE H)                 | 0.0         |
| J. REPL. LESS DEPR. ADJUSTMENT RATIO<br>(LINE I / LINE G)         | 0.000       |
| K. HOLDING GAIN(LOSS) AT REPL. LESS DEPR.<br>(LINE F x LINE J)    | 0           |
| L. LOCO UNITS BY CATEGORY                                         | 1           |
| M. TOTAL LOCO UNITS IN SAMPLE                                     | 1           |
| N. RATIO LOCO UNITS BY CATEGORY<br>(LINE L / LINE M)              | 1.0         |
| O. LOCO UNIT HOURS ON BRANCH                                      | 868.4945455 |
| P. LOCO UNIT HOURS ON BRANCH BY LOCO CAT<br>(LINE N x LINE O)     | 868.4945455 |
| Q. RATIO LUH ON BR. TO SYS LUH<br>PER LOCO UNIT (LINE P / LINE C) | 0.264       |
| R. HOLDING GAIN(LOSS) BY LOCO CAT.<br>(LINE K x LINE Q)           | 0           |
| S. HOLDING GAIN(LOSS)<br>(SUM OF LINE R AMOUNTS)                  | 0           |
| T. RETURN ON INVESTMENT<br>(SEE BASE YEAR ROI SHEET)              | 0           |
| U. ROI MINUS HOLDING GAIN(LOSS)<br>(LINE T - LINE S)              | 0           |

Winston Salem Southbound Railway Company  
3/27/2006

Proposed Abandonme