



**BEFORE THE
SURFACE TRANSPORTATION BOARD**

METHODOLOGY TO BE EMPLOYED IN)
DETERMINING THE RAILROAD INDUSTRY'S)
COST OF CAPITAL)

Ex Parte No 664

**NOTICE OF THE
ASSOCIATION OF AMERICAN RAILROADS
OF INTENT TO PARTICIPATE IN HEARING**

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November 20, 2007

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OF INTENT TO PARTICIPATE IN HEARING**

The Association of American Railroads ("AAR") hereby submits its notice of intent to participate in the public hearing scheduled by the Board in this rulemaking proceeding for December 4, 2007. The AAR's witnesses will be Professor Stewart C. Myers, Professor of Finance at MIT's Sloan School of Management, Dean R. Glenn Hubbard of the Columbia Business School and Dr. Bruce E. Stangle of Analysis Group, Inc.¹, and G. Paul Moates of Sidley Austin LLP, counsel to AAR in this matter.

Professor Myers, Dr. Stangle and Mr. Moates plan to address (1) the growing consensus, and their beliefs, that both the CAPM and DCF models should be considered in estimating the cost of equity, (2) the unreasonably low input values proposed by the Board, the Western Coal Traffic League ("WCTL") and other parties for the CAPM and DCF models, and the unreasonably low cost of equity estimates that result, (3) the appropriate values that the Board should adopt for those inputs, (4) guidelines for developing specific point estimates for the railroad industry's cost of equity, and (5) the implications for the railroad industry and its various constituencies, including employees, investors and shippers, of the Board's underestimating the cost of capital at a time when the industry faces unprecedented demand for significant capital expenditures in rail infrastructure.

¹ Dr. Stangle and Dean Hubbard have submitted several joint verified statements in this proceeding in support of AAR's comments. Unfortunately, because of a longstanding prior commitment on December 4, Dean Hubbard will not be able to participate in the hearing, but Dr. Stangle will.

AAR requests a total of one hour for its witnesses' testimony

Finally, AAR suggests that the Board consider organizing the hearing by appropriate panels of participants, and suggests specifically that one of the panels include the three AAR witnesses identified above and their counterparts for WCTL. AAR and WCTL have filed the most extensive comments and evidence in this proceeding on the relative merits of the CAPM and DCF models and the appropriate inputs for implementing both models. Having the two trade associations' experts appear in the same panel would offer the Board a good opportunity to explore and compare their positions on these technical issues.

Respectfully submitted,



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CERTIFICATE OF SERVICE

I hereby certify this 20th day of November, 2007, that I have served copies of the foregoing on all parties of record in this proceeding

David M. Levy