

BEFORE THE
SURFACE TRANSPORTATION BOARD

Central Oregon & Pacific Railroad, Inc. – Abandonment	)	
and Discontinuance of Service – in Coos, Douglas, and	)	
Lane Counties, Oregon (Coos Bay Rail Line)	)	Docket No. AB-515 (Sub-No. 2)
	)	

APPLICATION OF CENTRAL OREGON & PACIFIC RAILROAD, INC.
FOR AUTHORITY TO ABANDON RAILROAD LINES
AND DISCONTINUE RAIL SERVICE

VERIFIED STATEMENTS
VOLUME 2 OF 3

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Dated: July 14, 2008

LUNDBERG

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SURFACE TRANSPORTATION BOARD

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VERIFIED STATEMENT OF PAUL LUNDBERG

My name is Paul Lundberg. I am Senior Vice President – Strategic Relations of RailAmerica, Inc. I also serve as Vice President of Central Oregon & Pacific Railroad, Inc. (“CORP”). My business address is 5300 Broken Sound Boulevard, Boca Raton, Florida 33487. I joined RailAmerica in February 2007 following the acquisition of RailAmerica by certain investment funds managed by Fortress Investment Group LLC. In my current position, I have responsibility for managing operations, labor relations and state government relations issues for the RailAmerica carriers, and for RailAmerica’s relationships with connecting Class I railroads. RailAmerica is a leading railroad short line holding company, with 41 Class II and III railroads located in 25 states and 3 Canadian provinces.

I began my railroad career in 1973 as a brakeman on the Chicago & North Western Transportation Company (“CNW”). During my 22 years with CNW, I held a variety of management positions in labor relations and operations, including Vice President – Labor Relations and Senior Vice President – Transportation. In the latter position, I was responsible for all transportation, commuter operations, equipment management, service design and customer service matters. After leaving CNW following its acquisition by Union Pacific Railroad Company (“UP”), I held senior management positions with SeaLand and Maersk/SeaLand (container shipping) and with Great Lakes Transportation (railroads and

shipping). Prior to joining RailAmerica, I was General Manager of the Massachusetts Bay Commuter Railroad, which operates commuter rail services in the Boston area. I hold a Bachelor of Science in Communications degree from Northwestern University, and a Master of Management degree from Northwestern's Kellogg Graduate School of Management.

The purpose of this Verified Statement is to explain the circumstances that led CORP to seek authority to abandon (and discontinue service on) a portion of its Coos Bay Subdivision. Specifically, this Application seeks authority for CORP to abandon its line between Milepost 669.0 near Vaughn, OR and Milepost 763.13 near Cordes, OR, a distance of 94.13 miles in Coos, Douglas and Lane Counties, OR (the "Abandonment Segment"). CORP also seeks authority to discontinue service over those segments of the Coos Bay Subdivision that are leased by it, including (1) the Coquille Branch between Milepost 763.13 near Cordes, OR and Milepost 785.5 near Coquille, OR, a distance of 22.37 miles, which is leased from Union Pacific Railroad Company ("UP"); and (2) the LPN Branch between CORP Milepost 738.8 and LPN Branch Milepost 2.0, a distance of two miles, which is leased from Longview, Portland & Northern Railway Company ("LPN") (the "Discontinuance Segment").¹ These lines have been embargoed since September 21, 2007 due to unstable conditions in several tunnels that make continued operations unsafe. The minimum cost of the repairs that would be required to restore operations through those tunnels is approximately \$2.9 million. However, the expenditure required to undertake such repairs cannot be economically justified because the Coos Bay Subdivision has experienced substantial (and increasing) operating losses over the past several years, traffic on the line has declined precipitously (principally as a result of the loss of a major

¹ CORP's Coos Bay Subdivision also includes the line between Vaughn and Eugene, OR. CORP does not propose to abandon that segment. Nevertheless, for convenience, the Abandonment Segment and the Discontinuance Segment are referred to collectively in this Verified Statement as the "Coos Bay Subdivision."

customer), and there is no realistic prospect that traffic on the line will increase substantially in the foreseeable future. CORP attempted to persuade interested stakeholders to join it in a cooperative effort to repair the tunnels, rehabilitate the line and address its ongoing operating losses, but CORP's proposals for such cooperative action were rejected. Therefore, CORP is seeking Board approval for authority to discontinue service over the Discontinuance Segment and to abandon the Abandonment Segment.

The rail lines operated by CORP were acquired from UP's predecessor, the Southern Pacific Transportation Company ("SP"), in 1994. At the time of the acquisition, CORP was owned by shortline operator RailTex, Inc. ("Railtex"). Railtex was acquired by RailAmerica in January 2000. Under the terms of a "Cooperative Marketing Agreement" entered into between CORP and SP in connection with the line sale transaction, CORP transported the vast majority of the traffic that moved over the Coos Bay Subdivision as a "handling carrier" for UP.² Under this arrangement, traffic moves under a UP waybill, and UP has sole authority to determine the rates for the traffic (including the portion of the movement over CORP's lines). CORP receives from UP a "Handling Carrier Charge" (currently [] per car) for each loaded car that it handles on UP's behalf. *See* Attachment 3, Eighth Amendment. The Handling Carrier Charge is adjusted annually by an amount equal to [] [] (the "annual Adjustment"). In addition, CORP receives a fuel adjustment from UP on traffic moving for UP's account.

The Cooperative Marketing Agreement does not give CORP the unilateral right to increase rates, or to impose surcharges, on traffic that it handles in conjunction with UP. Nor does that arrangement provide any mechanism for renegotiation of the fuel adjustment. Rather,

² A copy of the Cooperative Marketing Agreement is set forth in Attachment 3 to my Verified Statement.

UP unilaterally modifies the fuel adjustment from time to time. Any increase in the Carrier Handling Charge (other than the Annual Adjustment) is likewise solely within the discretion of UP. Thus, CORP cannot take pricing actions to generate additional revenue from most of the traffic that moves on the Coos Bay Subdivision. This limitation severely restricts CORP's ability to generate capital for upgrading or expansion of its rail infrastructure. Indeed, the Annual Adjustment that CORP receives under the terms of the Cooperative Marketing Agreement has not been sufficient to offset the increase in operating expenses for the Coos Bay Subdivision in recent years, much less to fund extraordinary capital improvements.

The Coos Bay Subdivision was marginally profitable during the first several years of RailAmerica ownership. For example, the line generated positive operating income of approximately \$235,000 in 2002 and \$552,000 in 2003. However, in 2004, a major shipper on the line, Weyerhaeuser Corporation, ceased operations at its paper manufacturing facility at Cordes, OR. The closure of that plant, which historically generated approximately 3,000 carloads of rail business annually, resulted in a precipitous decline in the volume of traffic moving over the Coos Bay Subdivision, from 7,574 carloads in 2003 to 5,408 carloads in 2004. The spike in fuel prices during 2005 and 2006, coupled with CORP's inability to offset the loss of Weyerhaeuser's business with additional traffic from other sources, exacerbated the problem. Traffic on the line declined to 5,193 carloads in 2005, increased modestly to 5,363 carloads in 2006 and declined to 4,018 carloads in 2007 (through September 21, the date upon which the embargo went into effect). CORP is not aware of any potential source of new rail traffic for the Coos Bay Subdivision in the foreseeable future that would come close to offsetting the business lost as a result of Weyerhaeuser's decision to close the Cordes facility. As witness Williams' testimony shows, the decline in traffic on the line has affected virtually all shippers.

The viability of the Coos Bay Subdivision is further undercut by the deterioration of several timber-lined tunnels on the line. In October 2006, a joint inspection of the line by the Federal Railroad Administration ("FRA") and the Oregon Department of Transportation ("ODOT") revealed significant deterioration in Tunnel No. 15 (located near Milepost 721). CORP promptly engaged a contractor to perform repairs to the tunnel. However, while those repairs were being performed in November 2006, Tunnel No. 15 collapsed, resulting in the temporary closure of the tunnel and increasing the cost of repairs (initially estimated to cost \$350,000 - \$400,000) to approximately \$1.7 million.

In March 2007, CORP engaged Shannon & Wilson, Inc., a geotechnical and environmental services firm, to evaluate the condition of all nine tunnels on the Coos Bay Subdivision. Shannon & Wilson inspected the tunnels during March and April 2007, and reported their findings to CORP's engineers on July 16, 2007. (A copy of the Shannon & Wilson report is set forth in Attachment 1.) Shannon & Wilson identified "severe liner and/or rock deterioration and instability" in Tunnel Nos. 13, 15 and 18. *See* Attachment 1 at 3. Shannon & Wilson recommended that certain short-term ("Level 1 and 2") repairs to Tunnel Nos. 13, 15 and 18 be performed within 6-12 months. *Id.* at 2, 6. Shannon & Wilson advised that "[i]n our opinion, the repairs recommended for tunnel sections that were classified as Repair Level 1 and 2 in our July 2007 report, are necessary to continue relatively safe train passage." *See*, Attachment 1 at 13, September 21, 2007 Supplement. The estimated cost of such immediate repairs is approximately \$2.9 million. Shannon & Wilson also recommended that CORP perform more extensive repairs to the tunnels on the line (at an estimated additional cost of \$3.8 million) within 12-48 months. The total cost of all tunnel work recommended by the

Shannon & Wilson report is approximately \$6.7 million. *Id.* at 11, Estimated Construction Cost Summary.

In October 2007, shortly after the line was embargoed, a team of FRA and Federal Highway Administration (“FHWA”) engineers conducted an inspection of Tunnel Nos. 13, 15 and 18, and issued a written report of their findings. (A copy of the FRA Report is set forth in Attachment 2.) The FRA inspectors “substantially validate[d] the findings documented in the Shannon and Wilson report.” *See* Attachment 2 at 4. FRA concluded that “[t]hese tunnels are hazardous to train traffic and maintenance operations,” and concurred with Shannon & Wilson’s assessment of the repairs necessary to permit safe train operations through the tunnels. *Id.*

Given the large losses incurred by CORP in operating the Coos Bay Subdivision, an immediate investment by CORP of at least \$2.9 million to rehabilitate tunnels on the Coos Bay Subdivision cannot be economically justified.³ Moreover, as my testimony submitted on May 12, 2008 in Finance Docket No. 35130, *Central Oregon & Pacific Railroad, Inc. – Coos Bay Rail Line*, showed, the Coos Bay Subdivision will require an additional investment of approximately \$20 million for tunnel repairs and track rehabilitation over the next several years in order to permit safe and efficient operations over the line in the future. While those additional expenditures are not included in the “avoidable costs” calculated under the Board’s abandonment regulations, those costs will need to be incurred by CORP (or another operator) to preserve service on the line in the longer term. As the testimony of witness Baranowski shows, the avoidable loss from operations on the Coos Bay Subdivision – which does not include the cost of tunnel rehabilitation – is well in excess of \$1 million per year. With operating losses of that

³ Shannon & Wilson’s estimate represents the minimum cost of short-term tunnel rehabilitation costs. If repair activity caused one or more tunnels to collapse, as occurred during the repairs to Tunnel No. 15 in 2006, the cost of performing repairs to the tunnels would, in all likelihood, be substantially higher.

magnitude, and no opportunity for CORP to increase its revenues by raising rates or attracting substantial new business to the line, there is no realistic prospect that CORP would be able to realize any return on such an investment.⁴ Pouring millions of dollars into the Coos Bay Subdivision would also divert funds that could otherwise be available to address the capital needs of other portions of CORP's system.

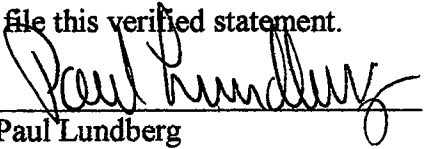
Prior to making the decision to seek abandonment authority, CORP met with shippers, Oregon legislators, the Port of Coos Bay and ODOT to solicit their participation in a cooperative effort to address both the capital needs of the line and the ongoing losses from operations over the line. CORP's efforts to promote a public/private partnership solution to the problems facing the Coos Bay Subdivision are described in my prior testimony in *Finance Docket No. 35130*. As that testimony indicated, our efforts were not successful. Accordingly, upon assessing the reaction to our proposals, CORP reluctantly made a decision in late April 2008 to seek to abandon the line. CORP respectfully asks the Board to approve this Application, so that CORP can stem the losses that it is incurring in operating the line, and redirect its resources to the remaining portions of its rail system.

⁴ UP has likewise taken the position that the line "has generated insufficient traffic to support reinvestment in the line." See Attachment 4, Letter dated April 29, 2008 from J. Michael Hemmer to Hon. Charles D. Nottingham, at 2.

VERIFICATION

I, Paul Lundberg, declare under penalty of perjury that the foregoing is true and correct.

Further, I certify that I am qualified and authorized to file this verified statement.


Paul Lundberg

Executed on 10 July, 2008

Attachment 1

July 16, 2007

Mr. Marc Bader, Chief Engineer
Rail America Operations West
One Harbor Center Drive, Suite 340
Suisun City, CA 94585

RE: TUNNEL INVENTORY – COOS BAY SUBDIVISION, OREGON

Dear Mr. Bader:

This report documents our observations and opinions regarding the condition of nine tunnels in the Coos Bay Subdivision, and our engineer's preliminary estimate of costs for construction of short- and long-term rehabilitation work. Rail America does not seek any clearance improvement in the tunnels at this time; therefore, it was not considered in any of our recommended repairs and structural improvements in this report. Maintenance or repairs of track structure or drainage conditions within the tunnels were also not included in our assessment, but poor track and drainage conditions were noted on our log forms. General data on the condition of the existing tunnel conditions and supports, suggested methods for repairs and maintenance, and estimated rehabilitation costs are presented in Tables 1 through 10. Our engineer's estimate of tunnel rehabilitation costs is summarized separately in Table 11.

The tunnel inventory was authorized by Mr. Marc Bader, Chief Engineer of Rail America Operations West, on March 12, 2007. Shannon & Wilson, Inc. conducted the mapping and assessment of the tunnels between March 26 and 30, 2007. Rail America provided flagging services and designated a railroad employee to escort and provide access via hy-rail to the Shannon & Wilson, Inc. field crew during the tunnel visits.

We visited and logged Tunnels 16 and 21 on March 26. On March 27, our project manager, Red Robinson, joined the crew and we logged Tunnels 14 and 20 and briefly visited Tunnel 13. We mapped Tunnel 13 on March 28, and we assessed Tunnels 17 and 19 on March 29. We

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completed the mapping with Tunnel 18 on the March 30. Tunnel 15 had been previously logged during the rehabilitation of a severely deteriorated and partially caved portion of the tunnel in November 2006. We revisited Tunnel 15 on July 9, 2007, to observe ground conditions and timber rib conditions adjacent to a recently collapsed timber rib at around Station 3+30.

During our logging process, we noted the nature and condition of the tunnel support system and the condition and stability of the rock, where visible. The condition of the tunnel supports and rock was prioritized according to the need for repair. In our opinion, portions of the tunnels that are in need of immediate repair within six months are classified as Repair Level 1. Repair Level 2 applies to portions of the tunnels that should be repaired within the next 12 months. Repair Level 3 applies to portions of the tunnels that should be repaired in the next 12 to 30 months. Repair Level 4 applies to portions of the tunnels that should be completed in the next 30 to 48 months. Repair Level 5 applies to portions of the tunnels that are not in need of repairs within the next 48 months, based on the current conditions; however, changes in groundwater flows into the tunnel, drainage, and general time-related deterioration of the tunnel lining or rock could lead to future needs for repair. The conditions of the tunnels should be reassessed every few years and during the various repair phases.

The only documentation available for review prior to our site visit and tunnel evaluation and the preparation of this report was in-house copies of the "Central Oregon Pacific Railroads Tunnel Inspection Report – Siskiyou and Coos Bay Branch," a report prepared by Shannon & Wilson, Inc. dated March 1994. This report also included typical drawings of timber sets and gunite/shotcrete lining.

GENERAL CONDITION OF THE TUNNELS

Based on available documents, the original tunnel construction took place in the 1880s. Excavation was by drill-and-blast, with local support provided by timber sets, wood lagging, and portal structures. Continuous timber sets as support, along with concrete portal structures, were

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established between 1910 and the 1920s. Only the South portal of Tunnel 14 and the North portals of Tunnel 18 and Tunnel 19 are lined with shotcreted steel sets.

Anticipated lifespan for cedar timber tunnel supports is normally on the order of 50 years. Most of the timber supports in the Coos Bay tunnels have likely been in place for well over 50 years, possibly up to 95 years. However, where the timber ribs and lagging have remained dry, they are still in fairly good shape and may provide adequate support to the rock. Where groundwater is seeping from the rock and through the lining, or where the bottoms of the sets are standing in poorly drained and/or muddy drainage ditches or on low concrete footing walls where debris has accumulated and holds the groundwater, the timber supports have undergone various levels of decay. In some instances, decay is limited to only the lower 1 to 2 feet of the posts. Elsewhere, the decay is more pervasive and has penetrated the entire lining for several ribs in a row.

The significant effort required to maintain the timber lining led one of the previous owners of the Coos Bay branch, the Southern Pacific Railroad, to a program of replacing timber sets with steel sets covered with gunite in the 1970s and early 1980s. Tunnels 14, 19, and 20, with relatively stable rock conditions, were supported with only a thin layer (1 to 4 inches) of gunite after the removal of the timber lining. It appears that the timber lining in Tunnel 21 was removed more recently, possibly after a tunnel fire, and steel fiber-reinforced shotcrete was used to support the tunnel. At present, approximately 1,207 feet of timber lining remains in place in Tunnel 13, 1,073 feet in Tunnel 15, 417 feet in Tunnel 17, and 622 feet in Tunnel 18.

SHORT-TERM OR IMMEDIATE (REPAIR LEVELS 1 AND 2) REHABILITATION REQUIREMENTS

Indications of severe liner and/or rock deterioration and instability requiring immediate repair (Repair Levels 1 and 2) were observed at several locations in the timber-lined sections of Tunnels 13, 15, and 18, where the timber sets are heavily decayed, crushed, and/or offset. We also observed rockfall hazards at several locations in Tunnels 13 and 15, where timber sets were removed and replaced with steel sets, but the timber lagging was left in place and has now

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deteriorated and rotted away. In addition, we identified rockfall hazards in two, short, unlined sections, also in Tunnel 13. Because of evident recent rockfalls, we strongly recommend immediate repairs in these areas as well.

Because of the potential for rockfalls and tunnel collapse during removal and replacement of the timber sets, as experienced in a short portion of Tunnel 15, we recommend that grouted rock bolts be installed through the timber liner, and then the timber ribs be removed one rib at a time and replaced with either shotcrete or steel ribs, as shown in the tables.

LONG-TERM (REPAIR LEVELS 3 THROUGH 5) REHABILITATION REQUIREMENTS

The majority of the long-term rehabilitation requirements are related to the removal and the replacement of timber sets, wood foot blocks, and timber lagging, and re-lining with steel fiber-reinforced shotcrete and rock bolts (Tunnels 13, 15, 17, and 18). The timber support in these sections of tunnel is at various stages of deterioration; consequently, isolated timber ribs could loosen and fail at any time. This also includes sections in Tunnel 13 where timber lagging was left in place after timber sets were replaced with steel sets. Rehabilitation work is also required in unlined sections and in areas with exposed bedrock and spalling shotcrete, some of them associated with apparent rockfall activity. These conditions were observed to various extents in Tunnels 13, 14, 15, 19, 20, and 21.

Recommended repairs include the application of steel fiber-reinforced shotcrete. Additional support with rock bolts is required at some locations. Typically, we recommend protecting and supporting unlined sections immediately. We designated these areas for long-term rehabilitation requirements based on our visual observation of the bedrock conditions and the fact that they have apparently been stable over some period of time. However, there is always a risk of sudden rockfalls in unlined sections or areas with only thin shotcrete/gunite cover, and if a rockfall condition develops immediate support may be needed.

An isolated rockfall occurred in Tunnel 19 roughly between Stations 35+60 and 36+00 in May 2007. A site visit was conducted on June 4, 2007, to assess the conditions. This section of the tunnel had experienced spalling in the past of thin shotcrete in the crown, and bedrock is exposed currently. At this location, the installation of additional ground support (shotcrete and, potentially, some rockbolts) may be considered at an earlier time than indicated on the summary table, and could be included during more urgent repair works in the adjacent Tunnel 18 (see above).

In Tunnel 20, which is generally lined with thin, 1- to 4-inch-thick, gunite, a 20-foot-long and a 44-foot-long section are lined with shotcreted steel sets at 3- to 4-foot spacing. Exposed bedrock above the steel sets indicates past over-break and rockfall activity in these areas, which requires remedial support. Currently, the shotcreted steel sets function as a canopy and protect the track from falling rocks to some extent, but they do not support the actively raveling rock above.

We did not include several tunnel sections lined with good-quality, sound timber in our rehabilitation program (657 feet in Tunnel 13, 745 feet in Tunnel 15, 373 feet in Tunnel 17, and 62 feet in Tunnel 18). The current conditions of timber sets, timber lagging, and wood foot blocks in these areas are generally fair to good, and we estimate a remaining average lifespan of approximately 5 to 10 years, or more. At Tunnel 15, the timber-lined sections also include areas where shotcrete was applied between the existing timber sets in order to maintain bedrock stability during repair work that was conducted in adjacent areas. However, the timber will deteriorate over time and may cause problems in these sections in the future. At locations where wood foot blocks are used to support timber sets, poor maintenance of drainage ditches can lead to rotting of the timber sets and shorten their lifespan significantly. Replacing the timber lining with rockbolts and steel fiber-reinforced shotcrete is recommended in the future in these sections in order to maintain the long-term stability of the tunnel.

We also observed several sections in Tunnel 13 where timber sets were replaced with steel sets followed by an application of shotcrete, which was applied over timber lagging that was left in

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place. Based on our observations, we expect void spaces of various dimensions (potentially up to 5 feet deep) behind the existing lining in these sections. Backfilling the voids with cement-based material in the future will increase the structural long-term stability of the lining and reduce the potential fire hazard of the remaining timber lagging behind the shotcrete.

Had we included in our proposed rehabilitation work the removal and re-lining of all timber-lined sections and the backfilling of void spaces behind the existing shotcrete-over-steel-sets lining, and added the shotcrete quantity needed to increase the thickness of gunite-lined sections, the total construction costs would have increased on the order of roughly \$12,000,000.

SUMMARY

Immediate tunnel stability problems are related to the progressively and intensely deteriorated and rotted condition of timber in timber-lined sections in Tunnels 13, 15, and 18 and unlined sections with associated rockfall hazard in Tunnel 13. We recommend relining and supporting these areas with steel fiber-reinforced shotcrete, rockbolts, and steel ribs, as indicated in the tables. We estimate the total construction costs for the Repair Levels 1 and 2 to be in the order of \$2,865,000.

Long-term rehabilitation work—within the next 1 to 5 years—is required in almost all of the tunnels (except Tunnel 16) and, in general, includes the relining and supporting of tunnel sections with steel fiber-reinforced shotcrete, rockbolts, and/or steel ribs, as shown in the tables. We estimate the total construction costs for the later repairs (Levels 3 to 5) to be around \$3,815,000.

We would be pleased to submit a detailed proposal for the engineering design work and the preparation of construction plans and specifications for your next phase of repair work on the Coos Bay Tunnels.

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We appreciate the opportunity to work with you and look forward to answering any questions you have about the information in this report.

Sincerely,

SHANNON & WILSON, INC.

Klaus G. Winkler
Senior Engineering Geologist

Robert A. Robinson, L.E.G., L.G.
Senior Vice President
Director of Underground Services

Roberto J. Guardia, P.E.
Vice President

KGW:RJG:RAR/kgw

Enclosures: Table 1 – List of Tunnels – Coos Bay Subdivision
Table 2 – Tunnel 13 (4 pages)
Table 3 – Tunnel 14
Table 4 – Tunnel 15 (3 pages)
Table 5 – Tunnel 16
Table 6 – Tunnel 17 (2 pages)
Table 7 – Tunnel 18 (2 pages)
Table 8 – Tunnel 19 (2 pages)
Table 9 – Tunnel 20
Table 10 – Tunnel 21
Table 11 – Estimated Construction Cost Summary
Important Information About Your Engineering Report



SHANNON & WILSON, INC.
Geotechnical and Environmental Consultants

Attachment to and part of Report 21-1-20713-001

Date: July 16, 2007
To: Mr. Marc Bader, Chief Engineer
Rail America Operations West

IMPORTANT INFORMATION ABOUT YOUR GEOTECHNICAL/ENVIRONMENTAL REPORT

CONSULTING SERVICES ARE PERFORMED FOR SPECIFIC PURPOSES AND FOR SPECIFIC CLIENTS.

Consultants prepare reports to meet the specific needs of specific individuals. A report prepared for a civil engineer may not be adequate for a construction contractor or even another civil engineer. Unless indicated otherwise, your consultant prepared your report expressly for you and expressly for the purposes you indicated. No one other than you should apply this report for its intended purpose without first conferring with the consultant. No party should apply this report for any purpose other than that originally contemplated without first conferring with the consultant.

THE CONSULTANT'S REPORT IS BASED ON PROJECT-SPECIFIC FACTORS.

A geotechnical/environmental report is based on a subsurface exploration plan designed to consider a unique set of project-specific factors. Depending on the project, these may include: the general nature of the structure and property involved; its size and configuration; its historical use and practice; the location of the structure on the site and its orientation; other improvements such as access roads, parking lots, and underground utilities; and the additional risk created by scope-of-service limitations imposed by the client. To help avoid costly problems, ask the consultant to evaluate how any factors that change subsequent to the date of the report may affect the recommendations. Unless your consultant indicates otherwise, your report should not be used: (1) when the nature of the proposed project is changed (for example, if an office building will be erected instead of a parking garage, or if a refrigerated warehouse will be built instead of an unrefrigerated one, or chemicals are discovered on or near the site); (2) when the size, elevation, or configuration of the proposed project is altered; (3) when the location or orientation of the proposed project is modified; (4) when there is a change of ownership; or (5) for application to an adjacent site. Consultants cannot accept responsibility for problems that may occur if they are not consulted after factors which were considered in the development of the report have changed.

SUBSURFACE CONDITIONS CAN CHANGE.

Subsurface conditions may be affected as a result of natural processes or human activity. Because a geotechnical/environmental report is based on conditions that existed at the time of subsurface exploration, construction decisions should not be based on a report whose adequacy may have been affected by time. Ask the consultant to advise if additional tests are desirable before construction starts: for example, groundwater conditions commonly vary seasonally.

Construction operations at or adjacent to the site and natural events such as floods, earthquakes, or groundwater fluctuations may also affect subsurface conditions and, thus, the continuing adequacy of a geotechnical/environmental report. The consultant should be kept apprised of any such events, and should be consulted to determine if additional tests are necessary.

MOST RECOMMENDATIONS ARE PROFESSIONAL JUDGMENTS.

Site exploration and testing identifies actual surface and subsurface conditions only at those points where samples are taken. The data were extrapolated by your consultant, who then applied judgment to render an opinion about overall subsurface conditions. The actual interface between materials may be far more gradual or abrupt than your report indicates. Actual conditions in areas not sampled may differ from those predicted in your report. While nothing can be done to prevent such situations, you and your consultant can work together to help reduce their impacts. Retaining your consultant to observe subsurface construction operations can be particularly beneficial in this respect.

A REPORT'S CONCLUSIONS ARE PRELIMINARY.

The conclusions contained in your consultant's report are preliminary because they must be based on the assumption that conditions revealed through selective exploratory sampling are indicative of actual conditions throughout a site. Actual subsurface conditions can be discerned only during earthwork; therefore, you should retain your consultant to observe actual conditions and to provide conclusions. Only the consultant who prepared the report is fully familiar with the background information needed to determine whether or not the report's recommendations based on those conclusions are valid and whether or not the contractor is abiding by applicable recommendations. The consultant who developed your report cannot assume responsibility or liability for the adequacy of the report's recommendations if another party is retained to observe construction.

THE CONSULTANT'S REPORT IS SUBJECT TO MISINTERPRETATION.

Costly problems can occur when other design professionals develop their plans based on misinterpretation of a geotechnical/environmental report. To help avoid these problems, the consultant should be retained to work with other project design professionals to explain relevant geotechnical, geological, hydrogeological, and environmental findings, and to review the adequacy of their plans and specifications relative to these issues.

BORING LOGS AND/OR MONITORING WELL DATA SHOULD NOT BE SEPARATED FROM THE REPORT.

Final boring logs developed by the consultant are based upon interpretation of field logs (assembled by site personnel), field test results, and laboratory and/or office evaluation of field samples and data. Only final boring logs and data are customarily included in geotechnical/environmental reports. These final logs should not, under any circumstances, be redrawn for inclusion in architectural or other design drawings, because drafters may commit errors or omissions in the transfer process.

To reduce the likelihood of boring log or monitoring well misinterpretation, contractors should be given ready access to the complete geotechnical engineering/environmental report prepared or authorized for their use. If access is provided only to the report prepared for you, you should advise contractors of the report's limitations, assuming that a contractor was not one of the specific persons for whom the report was prepared, and that developing construction cost estimates was not one of the specific purposes for which it was prepared. While a contractor may gain important knowledge from a report prepared for another party, the contractor should discuss the report with your consultant and perform the additional or alternative work believed necessary to obtain the data specifically appropriate for construction cost estimating purposes. Some clients hold the mistaken impression that simply disclaiming responsibility for the accuracy of subsurface information always insulates them from attendant liability. Providing the best available information to contractors helps prevent costly construction problems and the adversarial attitudes that aggravate them to a disproportionate scale.

READ RESPONSIBILITY CLAUSES CLOSELY.

Because geotechnical/environmental engineering is based extensively on judgment and opinion, it is far less exact than other design disciplines. This situation has resulted in wholly unwarranted claims being lodged against consultants. To help prevent this problem, consultants have developed a number of clauses for use in their contracts, reports and other documents. These responsibility clauses are not exculpatory clauses designed to transfer the consultant's liabilities to other parties; rather, they are definitive clauses that identify where the consultant's responsibilities begin and end. Their use helps all parties involved recognize their individual responsibilities and take appropriate action. Some of these definitive clauses are likely to appear in your report, and you are encouraged to read them closely. Your consultant will be pleased to give full and frank answers to your questions.

The preceding paragraphs are based on information provided by the
ASFE/Association of Engineering Firms Practicing in the Geosciences, Silver Spring, Maryland

LIST OF TUNNELS - Coos Bay Subdivision

Tunnel No.	MP @ N. Portal	Length	Tunnel Liner	Condition	Comments	Curve
13	669.47	2496 ft	Timber sets, shotcreted steel sets, steel sets with timber lagging, 100 ft unlined, 55 ft. concrete portal barrels	Poor - Good	Rotting timber sets and lagging	tangent/ 8°
14	681.09	471 ft	Shotcreted steel sets, shotcreted bedrock, 50 ft. N. portal concrete barrel	Good	Thin shotcrete, cracking and spalling	8°
15	720.73	2,143 ft	Shotcrete over steel and timber sets, timber sets and lagging, N. & S. portal are 50 ft. long concrete barrels	Poor - Good	Rotting timber sets and lagging, several cave-ins, recent repair work	tangent
16	721.52	633 ft	Shotcrete over timber and steel sets, N. & S. portal are 50 ft. long concrete barrels	Good		7°
17	727.7	1,200 ft	Shotcrete over bedrock, timber sets, shotcreted steel sets, N. & S. portal concrete barrels	Poor - Good	Timber sets with rotting foot blocks, offsets, cracks in shotcrete	tangent/ 2°
18	734.48	1,580 ft	Shotcrete over steel and timber sets, timber sets and lagging, N. & S. portal are 50 ft. long concrete barrels	Poor - Good	Timber sets with rotting foot blocks, offsets, cracks in shotcrete	tangent
19	745.62	4,202 ft	Shotcrete over bedrock, shotcrete over steel sets, S. portal 50 ft concrete barrel	Fair - Good	Landslides over both portals, shotcrete thin and cracking, bedrock exposed	tangent/ 6°
20	750.1	874 ft	Shotcrete over bedrock, shotcrete over steel sets, S. portal 50 ft concrete barrel	Fair	Large areas of spalling shotcrete with exposed bedrock	2°
21	751.2	478 ft	Shotcrete over bedrock, N. & S. portal are 50 ft. long concrete barrels	Good		4°

Total Length 11,581 ft

rar/kgw
7/16/2007

Table 1

21-1-20713-001
Coos Bay Subdivision
List of Tunnels

ESTIMATED CONSTRUCTION COST SUMMARY

Tunnel Assessment - Coos Bay Subdivision, Oregon

Tunnel #	Milepost @ N-Portal	Length (ft.)	Repair Level 1&2 (incl.2-3)					Repair Level 1 to 5					Est. Total Construction Cost	
			Steel Sets (No.)	Rockbolts (LF)	Shotcrete (cy)	Remove Timber Sets (No.)	Concrete (cy)	Est. Total Construction Cost	Steel Sets (No.)	Rockbolts (LF)	Shotcrete (cy)	Remove Timber Sets (No.)		Concrete (cy)
Tunnel 13	689.47	2,496	-	-	-	-	-	\$821,745	-	9126	1243	150	-	\$2,799,603
Tunnel 14	681.09	471	-	2,070	429	38	-	-	-	-	-	-	-	\$80,190
Tunnel 15	720.73	2,143	6	2,800	84	72	-	\$568,485	6	6746	408	224	-	\$1,568,538
Tunnel 16	721.52	633	-	-	-	-	-	-	-	-	-	-	-	-
Tunnel 17	727.70	1,200	-	-	-	-	-	-	-	-	-	-	-	-
Tunnel 18	734.48	1,580	-	6,075	462	125	-	\$1,470,555	-	480	38	14	-	\$126,360
Tunnel 19	745.62	4,202	-	-	-	-	-	-	-	7035	536	149	-	\$1,712,745
Tunnel 20	750.12	874	-	-	-	-	-	-	-	-	181	-	-	\$232,065
Tunnel 21	751.21	478	-	-	-	-	-	-	2	-	-	-	241	\$118,935
Totals:		14,077	6	10,745	975	235	-	\$2,860,785	8	23387	2576	536	241	\$6,679,746

 raz/kgw
 7/16/2007

Table 11

 21-1-20713-001
 Coos Bay Subdivision
 Construction Cost Summary

September 21, 2007

Mr. Marc Bader, Chief Engineer
Rail America Operations West
One Harbor Center Drive, Suite 340
Suisun City, CA 94585

**RE: TUNNEL CONDITION ASSESSMENT FOR COOS BAY SUBDIVISION,
OREGON**

Dear Mr. Bader:

As discussed in recent phone conversations, this letter is to provide you with our concerns regarding the current conditions and potential for rock falls, and timber rib failures in the nine tunnels on the Coos Bay Subdivision of the Central Oregon and Pacific Railroad.

As stated and described in detail in our tunnel inventory report dated July 2007, we identified and classified numerous sections in the tunnels, that are in various states of deterioration and, in our opinion, require immediate rehabilitation work (within six months) in order to reduce the currently high risk of rock falls and timber collapses to more acceptable levels. Some of the areas – particularly in Tunnel 15 and Tunnel 18, were identified and discussed with you as early as November 2006, when emergency repairs were initiated in Tunnel 15. We also identified numerous other areas in the tunnels that need repairs, but based on our field investigations did not appear to be in as great a risk of failure, and therefore were not classified as being in need of immediate repair, although we did consider that they should be repaired within the next year or so.

Mr. Marc Bader, Chief Engineer
Rail America Operations West
September 21, 2007
Page 2

SHANNON & WILSON, INC.

Since November 2006, several rock falls and failed timber sets were observed in tunnels in the Coos Bay Subdivision:

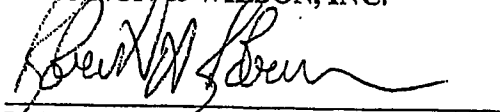
- Several partially collapsed timber sets were observed in Tunnel 15 during emergency repairs from November 2006 to January 2007.
- Six timber posts in the west sidewall of Tunnel 18 shifted into the tunnel. The posts rested on deteriorated wooden foot blocks.
- Several rock falls occurred in Tunnel 19 between May and July 2007. Rock falls occurred in areas of spalled shotcrete and exposed bedrock.
- Failure of a timber set occurred in Tunnel 15 in June 2006. The timber set was highly deteriorated.

In our opinion, the repairs recommended for tunnel sections that were classified as Repair Level 1 and 2 in our July 2007 report, are necessary to continue relatively safe train passage. Recent rock fall events in Tunnel 19 require immediate attention as well. The risk of future rock falls and failing timber sets is high under the current condition of the tunnels. However, the increased seepage rate in some areas of the tunnels that normally accompanies the rainy season will contribute to an increased risk of instability and also makes the application of remedial shotcrete in these seepage areas impossible and hazardous. Consequently, it may not be safe for much of the repair work to be undertaken until the drier months of next spring and summer.

We appreciate the opportunity to work with you and look forward to answering any questions you have about the information in this report.

Sincerely,

SHANNON & WILSON, INC.



Robert A. Robinson
Senior Vice President
Director of Underground Services

Attachment 2

***2007 Railroad Inspection
Report***

Evaluation of Tunnel Conditions Central Oregon and Pacific Railroad, Coos Bay Subdivision

On Wednesday, October 9, 2007, a reconnaissance was conducted by a team of Federal Railroad Administration (FRA) and Federal Highway Administration engineers to observe conditions in Tunnels 13, 15, and 18 on the Coos Bay Subdivision of the Central Oregon and Pacific Railroad (CORP). Tunnels 13, 15, and 18 had been removed from service by CORP, and the Coos Bay Subdivision, south of Tunnel 13, is currently embargoed for all traffic.

The reconnaissance was conducted by walking through each tunnel from portal to portal, with illumination provided by flood lights mounted in the bed of a highway-rail truck and powered by a portable generator. Conditions observed in the tunnels were compared to the condition descriptors and general condition ratings contained in the report prepared by Shannon and Wilson between March 30 and July 9, 2007, and furnished to FRA by CORP.

The team evaluation substantially validates the findings documented in the Shannon and Wilson report. It should be noted that some conditions have deteriorated even further during the time since the report was prepared, partly due to the passage of time, and partly because of the onset of the wet season in Oregon in the early fall of 2007.

These tunnels were generally built in the 1880's, and rebuilt to their present configuration around 1914, using drill and blast methods common in that era. Tunnel lining construction includes unlined "bald" rock, timber sets with timber lagging, steel sets with timber lagging, shotcrete over timber or steel sets, and finally, cast-in-place concrete at both portals of Tunnels 13 and 15, and the south portal of Tunnel 18. Timber sets are constructed of 10" wide by 14" deep solid sawn cedar timbers. These sets are spaced on 48" nominal centers in Tunnels 13 and 18, and on 18" nominal centers in Tunnel 15. Voids between the timber liner and the surrounding rock were filled with cordwood packing.

The predominant problems observed were decay of the untreated cedar timbers, lagging, and footing blocks, especially in the wetter areas of the tunnels. This deterioration has resulted in differential settlement of the timber sets leading to shifting and occasional loss of the horizontal struts between adjacent sets. In addition, the lower 3-4 feet of many of the timber set posts sounds hollow or decayed when struck with a hammer, especially in locations where the footing blocks are clearly decayed or crushing. In a few of the wetter areas, severe decay of the caps and rafter timbers has destroyed the structural integrity of the lining sets. Decay, and subsequent loss of the cordwood packing, has produced a void above or behind the lagging, thereby providing weathering or blocking rock room to free-fall, striking the lagging. In areas where the timber sets and lagging have been covered with a nonstructural shotcrete veneer, evaluation of the existing condition is not possible, although it is suspected that trapped moisture is probably exacerbating the decay of surrounding timber components. In the unlined sections, there is evidence that minor, periodic rock-falls have occurred.

General Tunnel Observations

The tunnel bores all appear to have been blasted using the methods of the day, which was to angle drill from the front face and blast. It is doubtful that any type of technique was used to control blast pressures and limit overbreak. Even with modern controlled blasting techniques, drilling and shooting tunnel bores results in some undesirable over-break. The overbreak on the three tunnels has resulted in an oversized bore with irregular pockets and voids. Overbreak from blasting has fractured some of the in-place rock. Thus, the fractured rock has to be supported, or it will continually ravel and fall out. Several areas in these tunnels had cordwood or stone packing as an effort to support the tunnel ceilings and walls. The overbroken voids are particularly difficult to support using these methods.

All of the tunnels utilized some arch segmental timber sets and lagging for support. The timber set internal dimensions are approximately 20 feet to the spring line and approximately 10 feet to the crown. Many of the timber set posts are 10 x 14-inch settings on wood blocks. The blocks appear to be cut from the post material and then laid on their side. The original timber set configuration had no structural capability for carrying lateral earth pressure loads from the tunnel walls. The lagging appears to be rough-cut 2 x 10-inch lumber, but it was not measured during the reconnaissance so these dimensions may not be accurate. All tunnels have intermittent water seepage areas. Detailed observations and conclusions for each of the three tunnels are as follows:

Tunnel 13; Milepost (MP) 669.47 to MP 669.94; length 2,489 feet; near Mapleton, Oregon.

The portal had a concrete lining that was dated 1914 and extended approximately 65 feet back. In several locations, there are signs of overblasting and large voids in between the timber lagging. Cordwood packing is visible in between the timber lagging and the tunnel rock wall and ceiling face. There are intermittent water seepage areas in this tunnel. Differential weathering was noted in the tunnel walls. There are areas that have rock debris lying on top of the timber sets. In several locations, rock debris can fall through, or past, rotten timber. The timber set support blocks have rotted in several locations, allowing the timber sets to settle and pull away from the ceiling. In turn, the unsupported ceiling sections have released sandstone rock fragments ranging from gravel- to bolder-size (2 to 14 inches in diameter). Sagging timber sets have also kicked out from the tunnel walls, allowing sandstone rock fragments from gravel- to bolder-size to fall out of the excavated walls and place a thrust load on the timber set and lagging.

The tunnel had station markings on the walls from Station 0+00 to 3+00. Shotcrete had been placed, apparently as a past repair. The shotcrete condition looked good. At Station 6+00, a vertical set post is cracked from the footing up (at least 3 feet). This appeared to be an overstress condition. There is a void behind the timber set. From Station 14+00 to 16+00, approximately, the timber sets in the ceiling are bowed downward, apparently from overstress. The timber set ceiling support is discontinuous, and there is evidence

that rock blocks have dropped out of the ceiling. At Station 23+40, timber sets have rotted and fallen down. There is rock debris perched on top of the timber sets, and it is a rock-fall hazard. The Shannon and Wilson report rate this area as a Repair Level 2, but subsequent deterioration would most likely cause it to be downgraded to Repair Level 1. This tunnel has several locations that need immediate lining support repairs. There is a high risk of tunnel support failure and rock-fall hazard to train and maintenance traffic.

Tunnel 15; length 2,148 feet; near Florence, Oregon.

The north portal had a concrete lining that was dated 1914 and extended approximately 40 feet back. In general, the sandstone rock was softer than that of Tunnel 13. The tunnel has more seepage water, also. The rock in this area may have been slightly weakened by water saturation. This tunnel has extensive wood rot and questionable tunnel-wall and ceiling support. Several repairs have been performed, including installation of a concrete footing for timber set support. There are signs of overblasting star bursts in the tunnel walls and voids between the timber lagging and the rock face. There is potential for fractured rock to fall from these voids. At Station 14+40, the timber sets are very rotten and have sagged. There is approximately $\frac{1}{4}$ of a yard of rock debris perched on the rotten wood. This material will fall down from the ceiling in the very near future. There is a high concern that rotten timber sets and lagging could fall into tunnel. There is a high risk of tunnel support failure and some risk of rock-fall hazard to train and maintenance traffic.

Tunnel 18; MP 734.48 to MP 734.77; length 1,532 feet; near Florence, Oregon, off of Five Mile Creek Road.

The north portal had a concrete lining that was dated 1914 and extended approximately 5 feet back. Some past shotcreting and steel sets have been installed in this tunnel. In some areas, the timber sets are closely spaced, indicating that during the original design and construction weak sandstone rock was recognized. The rock in this tunnel is the weakest of the three. The joints appear to be tighter, but the rock exhibits more of a soil character and may tend to slough. There are locations where the lagging has fallen out and the rock face is exposed. At Station 10+80, there is a section of the timber sets where they have apparently rotted at their bases and then slid off their footings. The timber sets have then kicked out approximately 2 feet from their original position.

The weak sandstone needs good ceiling and sidewall support, as the tunnel bore faces have weathered over the years and may be exerting more vertical and lateral pressures than where originally anticipated. At the same time, the strength of the timber sets has diminished over the years. The fact that a section of the timber sets has kicked out supports these concerns. More timber sets could kick out, which is a definite hazard to train and maintenance traffic.

Summary and Conclusions

The arch segmental timber sets and lagging in these tunnels have reached the end of their useful life and can no longer provide adequate support. As a result, several locations within each of the three tunnels have unsafe conditions that require repair. It is anticipated that more unsafe conditions will develop in the near future as the tunnel support continues to rot. The existing unsafe conditions include ceiling and wall rock-

fall, rock debris fall, timber set and lagging instability, and vertical timber set kick out. These tunnels are hazardous to train traffic and maintenance operations. Any future inspection or maintenance should be done with great care, with an understanding of the potential hazards. The original timber set design has severe limitations in its ability to resist lateral earth and rock loads. In addition, the timber sets are susceptible to fire.

The team evaluation substantially validates the findings documented in the Shannon and Wilson report. It should be noted that some conditions have deteriorated even further during the time since the report was prepared, partly due to the passage of time, and partly because of the onset of the wet season in Oregon in the early fall of 2007. In summary, FRA concurs with the recommendations made in the Shannon and Wilson report, that all three tunnels need immediate repairs to permit the safe resumption of railroad operations. The reconnaissance was not intended to review all of the repair recommendations that were made in the Shannon and Wilson report. All tunnel dimensions provided in this memorandum are approximate and should not be used for design or cost estimating.

Signed: Gordon A. Davids, P.E.

Chief Engineer-Structures
Office of Safety Assurance and Compliance
Federal Railroad Administration

Attachment 3

REDACTED

Attachment 4



J. Michael Hemmer
Senior Vice President - Law & General Counsel

April 29, 2008

22257

By UPS Next Day Air

The Honorable Charles D. Nottingham, Chairman
The Honorable Francis P. Mulvey, Vice Chairman
The Honorable W. Douglas Buttrey, Commissioner
Surface Transportation Board
395 E Street, SW
Washington, DC 20423

RECEIVED
SURFACE TRANSPORTATION
BOARD
2008 APR 30 P 2:41
OFFICE OF CHAIRMAN
NOTTINGHAM

Re STB Ex Parte No. 677 - Common Carrier Obligation of Railroads

Dear Chairman Nottingham, Vice Chairman Mulvey, and Commissioner Buttrey:

During your hearing in Ex Parte No. 677 on April 25, 2008, a representative from RailAmerica provided inaccurate information about UP's economic relationship with the Central Oregon & Pacific Railroad. RailAmerica stated that UP's compensation to CORP consists of \$400 per car, plus 50 percent of RCAF-U adjustments up to a maximum of 3 percent annually. That information is not correct.

UP's compensation to CORP is currently about \$600 per car, not \$400 per car. As fuel prices have escalated, Union Pacific has voluntarily agreed to pass along additional fuel support to CORP. In addition, Union Pacific provides CORP a 3 percent supplement for reporting car movements through Railinc, which improves interline operations and information for customers.

Union Pacific has also given CORP approximately \$1 million since 2004 to help it repair tunnels on the Siskiyou line and maintain a key bridge on the Coos Bay line.

CORP also complained that its contract with Union Pacific limits the amount it can charge its shippers. In fact, CORP has unilaterally imposed surcharges on its shippers and is proposing additional surcharges without objection from Union Pacific.

Finally, while this does not represent compensation to CORP, during the Coos Bay line service interruption, Union Pacific has provided significant financial support to CORP customers who lack rail service, so that those customers can use transload services on Union Pacific.

ENTERED
Office of Proceedings

MAY 2 2008

STB
U.S. DEPT. OF TRANSPORTATION

UNION PACIFIC RAILROAD 1400 Douglas Street STOP 1580 Omaha, NE 68179 ph (402) 544-6677 fx (402) 501-0129 mhemmer@up.com

From our external perspective, the basic problem facing the Coos Bay line is that, since several major customers closed large shipping facilities on the line in the 1990s, the Coos Bay line has generated insufficient traffic to support reinvestment in the line. Accordingly, as I testified on April 24, 2008, private entities are unlikely to recover any return on investment in the line, unless traffic volumes increase substantially

Respectfully,

A handwritten signature in black ink that reads "Mike Hemmer". The signature is written in a cursive, flowing style.

J Michael Hemmer

cc: All Participants (by US first-class mail)

BARANOWSKI

BEFORE THE
SURFACE TRANSPORTATION BOARD

Central Oregon & Pacific Railroad, Inc. – Abandonment	)	
and Discontinuance of Service – in Coos, Douglas, and	)	Docket No. AB-515 (Sub-No. 2)
Lane Counties, Oregon (Coos Bay Rail Line)	)	
	)	

VERIFIED STATEMENT OF MICHAEL R. BARANOWSKI

I. INTRODUCTION AND OVERVIEW

My name is Michael R. Baranowski. I am a Senior Managing Director of FTI Consulting. My business address is 1101 K Street, NW, Washington, DC 20005. As Senior Managing Director, I provide a wide range of economic and consulting services, primarily to clients in the transportation and telecommunications industries.

I have submitted written expert testimony before the Interstate Commerce Commission and its successor, the Surface Transportation Board, the Federal Communications Commission, Federal Courts, arbitration proceedings and a number of state agencies. A complete listing of my prior testimony is included in my curriculum vitae, included as Attachment 1 to this Verified Statement.

The purpose of this Verified Statement is to present Exhibit 1 to the Application filed by Central Oregon & Pacific Railroad, Inc. (“CORP”) seeking authority to abandon (and discontinue service on) a portion of its Coos Bay Subdivision. Specifically, I have been asked by CORP to prepare a summary of the relevant revenue and cost data for the lines that are the subject of the Application, and to submit those data as Exhibit 1 in accordance with the Board’s current abandonment regulations. In preparing portions of Exhibit 1, I have relied in part on information provided directly by CORP, as well as the testimony of witnesses Rex (Net

Liquidation Value of CORP right of way) and Bader (Net Liquidation Value of track assets on the line).

II. BASE YEAR REVENUE AND COST DATA

By this Application, CORP seeks authority to abandon its line between Milepost 669.0 near Vaughn, OR and Milepost 763.13 near Cordes, OR, a distance of 94.13 miles in Coos, Douglas and Lane Counties, OR (the “Abandonment Segment”). CORP also seeks authority to discontinue service over those segments of the Coos Bay Subdivision that are leased by it, including (1) the Coquille Branch between Milepost 763.13 near Cordes, OR and Milepost 785.5 near Coquille, OR, a distance of 22.37 miles, which is leased from Union Pacific Railroad Company (“UP”); and (2) the LPN Branch between CORP Milepost 738.8 and LPN Branch Milepost 2.0, a distance of two miles, which is leased from Longview, Portland & Northern Railway Company (“LPN”) (the “Discontinuance Segment”). CORP’s Coos Bay Subdivision also includes the line between Vaughn and Eugene, OR. CORP does not propose to abandon that segment. For convenience, the Abandonment Segment and the Discontinuance Segment are referred to collectively in this Verified Statement as the “Subject Line.”

Exhibit 1 provides revenue, cost and subsidy data for the Subject Line for the “Base Year” from September 1, 2006 through August 31, 2007, (the last full 12-month period during which CORP conducted rail operations over the Subject Line) and the “Forecast Year” from July 1, 2008 through June 30, 2009. Exhibit 1 is prepared in accordance with the Board’s regulations at 49 C.F.R. §§ 1152.31-1152.34. As described in more detail below, data presented in Exhibit 1 is based to the extent practicable on CORP’s internal accounting records. Because CORP is a Class II railroad, it does not in the normal course of business maintain its revenue and expense data on a line-specific basis at the same level of detail as a Class I railroad. It was therefore necessary to develop reasonable approaches for allocating certain CORP systemwide

revenues and costs to the Subject Line. In the following sections of my testimony, I explain the detailed inputs and assumptions underlying the financial results set forth in Exhibit 1.

A. Revenues

Traffic and revenues attributable to the Subject Line were developed from CORP internal accounting records and represent the total CORP revenue for all traffic originating and/or terminating at stations along the Abandonment Segment and/or the Discontinuance Segment. Table 1 below summarizes the Base-Year carloads and revenues by traffic type -- local, interline forwarded and interline received.

Table 1		
Summary of Subject Line Base-Year Traffic		
<u>Type</u>	<u>Carloads</u>	<u>Revenue</u>
Local	312	\$219,609
Interline Forwarded	4,021	2,343,764
Interline Received	440	167,516
Total	4,773	\$2,730,889

In addition to freight revenue derived from traffic moving on the Subject Line, CORP also generates non-freight revenue associated with car hire, demurrage, real estate and other miscellaneous activities. From its internal accounting system, CORP provided the non-freight revenues attributable to the entire Coos Bay Subdivision. For the Base Year, those non-freight revenues attributable to the Coos Bay Subdivision totaled \$340,533.

B. Avoidable On-Branch Costs

Costs attributable to the Subject Line were derived from financial data provided by CORP. Specifically, through its internal accounting systems, CORP was able to provide expenditure information for the entire Coos Bay Subdivision between Coquille and Eugene, OR. A summary of the Base-Year costs, along with a description of the standard service unit(s) used

by CORP to determine expenditures related to the Subject Line are included as Table 2. The accounts referenced in Table 2 are internal CORP accounts.

Table 2
Summary of Subject Line Direct Expenses

Account	Account Description	Base-Year Amount	Allocation Service Unit
410	G&A		Carloads
530	Clerical		Carloads
540	Transportation		
	Labor & Benefits		Crew Hours
	Fuel		Running Hours
	Other		Carloads
550	Mechanical		Locomotives
610	Car Repair		Carloads
620	Fleet		
	Car Lease		Carloads
	Car Hire		Carloads
	Locomotive Lease		Horsepower Days
	Other		Carloads
710	MOW		Mile Days
F000	Other		Accounting Records
Total			

As set forth in Table 2, assignable expenses attributable to the entire Coos Bay Subdivision, extending from Coquille to Eugene, total approximately \$[] in the Base Year. In the remainder of this section, I explain how I assigned each of these accounts to the appropriate Exhibit 1 line item, and how I determined the portion of each expenditure attributable to the Subject Line.

1. Line 5(a) – Maintenance of Way

The Coos Bay Subdivision's Base-Year operating expenses for maintenance of way are captured in CORP Account 710, and total \$[]. MOW costs include labor and benefits, equipment rental, purchased services, casualties & incident expenses and maintenance materials and supplies. CORP does not in the normal course of business account for maintenance of way expenditures by location and is thus unable to specify precisely where along the Coos Bay

Subdivision these expenditures were incurred. Because maintenance of way expenditures correlate generally with the number of miles being maintained and because the vast majority of the traffic moving over the Coos Bay Subdivision traverses most of its length, I allocated maintenance of way expenses to the Subject Line based on the percentage of the route miles of the Coos Bay Subdivision that are part of the Subject Line. Overall, the Subject Line covers 118.5 miles of the total of 139.1 route miles on the entire Coos Bay Subdivision,¹ or approximately 85.19 percent of the miles of the Coos Bay Subdivision for which CORP provided direct expense information for the Base Year. Applying the 85.19 percent figure to the total Base Year maintenance of way expenses results in a maintenance of way cost allocation to the Subject Line of \$[].

2. Line 5(b) – Maintenance of Equipment

Maintenance of equipment costs for the Coos Bay Subdivision are recorded in CORP Account 550 – Mechanical and Account 610 – Car Repair, and total \$[]. These costs include labor and benefits, equipment rental, purchased services and car and locomotive maintenance materials and supplies. Equipment maintenance expenses are generally driven by the wear and tear caused by the movement of the equipment over the railroad line and are best allocated using service units that include a distance traveled component such as car miles or locomotive unit miles. CORP does not record locomotive unit miles in the normal course of business. Therefore, in order to estimate the portion of Coos Bay Subdivision's equipment maintenance costs attributable to the Subject Line, I used the ratio of loaded freight car miles over the Subject Line to total loaded car miles over the entire Coos Bay Subdivision. As set

¹ The CORP expense allocation for the Coos Bay Subdivision covers the route beginning at milepost 648.4 in Eugene, OR and extending to milepost 785.5 in Coquille, OR, for a total of 137.1 route miles, plus a two mile branch line beginning at milepost 738.8 at Gardiner Junction, producing 139.1 total route miles.

forth in Attachment 2, for the Base Year the Coos Bay Subdivision incurred a total of [] loaded car miles. Of these, [] car miles, or [] percent, occurred over the Subject Line. Applying that percentage to the Coos Bay Subdivision's total equipment maintenance costs of \$[] produces maintenance of equipment costs attributable to the Subject Line of \$[].

3. Line 5(c) - Transportation Costs

Transportation costs are based on actual Base Year operation levels as reflected in CORP Accounts 540, and total \$[] for the entire Coos Bay Subdivision. Transportation costs include crew wages and benefits, equipment rental, purchased services, locomotive fuel and oil, train supplies and locomotive servicing. As with equipment maintenance expenses, transportation expenses are influenced by the amount of effort involved to perform each service, which includes an accounting of the relative distance traveled. Therefore, to allocate transportation related expenditures to the Subject Line, I again used the ratio of loaded freight car miles over the Subject Line to total loaded car miles over the entire Coos Bay Subdivision. Applying the same 83.74 percent proportion of loaded car miles attributable to the Subject Line to the total Coos Bay Subdivision transportation expenses results in an allocation of \$[] to the Subject Line.

4. Line 5(d) – General Administrative

General Administrative costs are based on actual Base Year car loadings allocation as reflected in CORP Accounts 410 – General and Administrative, Account 530 – Clerical and Account F000 – Other, which includes depreciation and property taxes. General Administrative costs do not typically vary with distance traveled but do correlate generally with route mileages, particularly for depreciation and property taxes, and with carloads for clerical, marketing and other administrative staff. Carloads cannot be used as a service unit to identify the portion of these expenses attributable to the Subject Line because all of the Base Year carloads traversed

both the Subject Line and the portion of the Coos Bay Subdivision that is not the subject of the proposed abandonment. Instead I allocated these costs, which total \$[] for the entire Coos Bay Subdivision, to the Subject Line on the basis of route miles. Applying the 85.19 percent ratio of Subject Line route miles to total Coos Bay Subdivision route miles, the portion of the Coos Bay Subdivision's \$[] in General and Administrative costs allocated to the Subject Line is \$[].

5. Line 5(g) – Rolling Stock – Non-ROI

Rolling stock costs are based on actual Base Year operations as reflected in CORP Account 620 - Fleet. These costs consist primarily of locomotive and car leases and car hire expenses, and total \$[] for the entire Coos Bay Subdivision. Similar to maintenance of equipment expenses, rolling stock costs are influenced by the distance traveled, so I have again determined loaded car miles to be the appropriate service unit for allocating these costs to the Subject Line. Applying the 83.74 percent Subject Line proportion of loaded car miles to the total rolling stock expenses for the Coos Bay Subdivision results in an allocation of \$[] to the Subject Line.

6. Summary of Avoidable On-Branch Costs

Table 3 below summarizes my allocation of on-branch costs to the Subject Line in accordance with the methodology described above.

Table 3
Summary of Avoidable Costs Attributable to the Subject Line

Exhibit 1		Subject Line	
Line No.	Description	Allocation Method	Amount
5 (a)	Maintenance of Way	Route Miles	
5 (b)	Maintenance of Equipment	Loaded Car Miles	
5 (c)	Transportation	Loaded Car Miles	
5 (d)	General & Administrative	Route Miles	
5 (g)	Freight Car Cost - Non ROI	Loaded Car Miles	
Total			

C. Avoidable Off-Branch Costs (Operations)

In addition to a determination of the avoidable costs attributable directly to the Subject Line (“On-Branch Costs”), the Board’s abandonment regulations require an estimate of the avoidable costs of handling the traffic that moved over the Subject Line on other portions of the CORP system beyond the Subject Line (“Off-Branch Costs”). Line 6 of Exhibit 1 presents my calculation of avoidable Off-Branch Costs. The avoidable Off-Branch Costs were developed using the Board’s 2006 Uniform Rail Cost System (URCS). Specifically, URCS unit costs for the Western Region were applied to the relevant operating statistics for the portion of each Subject Line movement that also moved over a portion of the remaining CORP system. The vast majority of the Base Year traffic, approximately 93 percent, entered or departed the CORP system at Eugene, OR. The remaining 7 percent, or a total of 313 cars in the Base Year, traversed the entirety of the CORP’s line south to Black Butte, CA.

I made two adjustments to the URCS standard costing procedures. First, because CORP provided me with the actual movement miles, I set the URCS circuitry factor to one for my calculations. Second, for URCS costing purposes, I categorized these movements as either interline forwarded or interline received with the Coos Bay Subdivision as the most applicable URCS category for the costing exercise.² Under these circumstances URCS assigns an interchange cost. In this case, however, no actual interchange takes place. In order to avoid an overstatement of the Off-Branch costs, I removed the cost of the interchange with the Coos Bay Subdivision applied by URCS. Also, because URCS computes loss and damage on a per car basis and not based on relative distance traveled, there is no straightforward way to identify the

² URCS traffic class input options are local (one origination and one termination), interline forwarded (one origination and one interchange) or interline received (one interchange and one termination) or bridge or overhead (two interchanges).

portion of loss and damage assignable to the Off-Branch portion of the movement. I therefore eliminated this relatively minor cost item from my calculation of Off-Branch costs.

Based upon this methodology, total URCS-based Off-Branch Costs for movement of Subject Line traffic over other portions of the CORP system are \$815,536. Details of my URCS calculations are set forth in Attachment 3.

D. Rehabilitation Costs

As explained in the Verified Statement of Paul Lundberg, after incurring substantial capital expense to repair Tunnel No. 15 in 2006, CORP engaged the geotechnical and environmental services firm of Shannon & Wilson, Inc. to evaluate the condition of all nine tunnels on the Coos Bay Subdivision. During an inspection of the tunnels, Shannon & Wilson identified "severe liner and/or rock deterioration and instability" in Tunnel Nos. 13, 15 and 18. *See* V.S. Lundberg, Attachment 1. Shannon & Wilson estimated that it would cost a minimum of \$2,861,000 in short-term expenditures (within 6-12 months) to return the tunnels to a condition that would allow for relatively safe train passage. Shannon & Wilson also recommended that CORP perform more extensive repairs to the tunnels on the Subject Line (at an estimated additional cost of \$3.8 million) within 12-48 months. The total cost of all tunnel work recommended by the Shannon & Wilson report is approximately \$6.7 million. I have conservatively included only Shannon & Wilson's short-term tunnel repair cost estimate of \$2,861,000 as my rehabilitation cost estimate for the Subject Line.

E. Working Capital

In accordance with the Board's regulations, I have calculated the allowable working capital for the Subject Line based on 15 days of On-Branch avoidable costs less depreciation. The amount of working capital for the Base Year is \$137,208.

F. Net Liquidation Value

The Net Liquidation Value of the Abandonment Segment has been developed separately for land assets and for track, track materials and facilities located on the Abandonment Segment of the Subject Line. Witness Rex developed the Net Liquidation Value of land based on the current appraised corridor property value for other than transportation purposes based upon their highest and best use, and complying with applicable zoning, land use and environmental regulations, less the cost of disposition. Mr. Rex estimates the net liquidation value for land at \$5,697,000.

The Net Liquidation Value for track, track materials and facilities is based predominately on the relay and scrap values of rail, ties and other track material inventories along the Abandonment Segment, less appropriate cost for removal and transportation of such materials to market. As witness Bader explains, two reputable independent salvage companies – L.B. Foster and UNITRAC -- were asked to provide bids for the salvageable assets along the Abandonment Segment. L.B. Foster estimated the gross liquidation value of the Abandonment Segment track assets at \$ *See V.S. Bader, Attachment. 2.* L.B. Foster estimated total liquidation costs at \$ *See id.* The resulting NLV, as estimated by L.B. Foster, is \$15,151,308. *Id.* Unitrac estimated that the extended value of the Abandonment Segment's track and materials was \$ its estimated liquidation costs were \$ and its estimate of net liquidation value was \$12,536,149. For the net liquidation value of the Abandonment Segment, Mr. Bader took the simple average of the estimates developed by L.B. Foster and UNITRAC, or \$13,843,729, which I have adopted.

G. Nominal and Real Rate of Return

The nominal and real rates of return in my analysis are derived directly from the Board's most recent decision in Ex Parte No. 558 (Sub No. 10), served April 15, 2008.³ In that decision the Board found the 2006 after-tax nominal cost of capital for the railroad industry to be 9.94 percent, details of which are set forth in the following table.

Table 4
Railroad Industry 2006 After-Tax Nominal Cost of Capital

<u>Type of Capital</u>	<u>Cost</u>	<u>Weight</u>	<u>Weighted Average</u>
Long-Term Debt	5.97%	23.05%	1.38%
Common Equity	11.13%	76.95%	8.56%
Composite Cost of Capital		100.00%	9.94%

To estimate the real cost of capital, I deducted from the nominal cost of capital an estimate of the inflation implicit in the Board's figures as measured by the U.S. Department of Commerce, Bureau of Economic Analysis, Gross Domestic Product Implicit Price Deflator for the 2006 to 2007 time period, of 2.7 percent. This produced an after-tax real cost of capital of 7.05 percent. I then converted both the after-tax nominal and after-tax real cost of capital estimates to a pre-tax basis by applying the procedures used by the Board in determining the pre-tax cost of capital for use in URCS. Specifically, I tax adjusted the cost of equity component of the nominal and real costs of capital by dividing those costs by one minus the Federal statutory tax rate of 35 percent and then recalculated to weighted average cost of capital. The pre-tax nominal cost of capital used in my analysis is 14.60 percent, while the pre-tax real cost of capital is 10.50 percent. Details of these calculations are set forth in my work papers.

³ The Board has not yet released its determination of the railroad industry cost of capital for 2007. However, preliminary computations of the 2007 railroad industry cost of capital performed by the Association of American Railroads suggest that the 2007 industry after-tax nominal cost of capital will be in the vicinity of 11.3 percent, which is considerable higher than the 2006 cost of capital of 9.94 percent. Nevertheless, I have conservatively used the Board's 2006 railroad industry cost of capital as a surrogate for the 2007 cost of capital in my analysis.

III. FORECAST YEAR ANALYSIS

In addition to developing financial data for the Base Year, the Board's abandonment regulations require financial calculations for a "Forecast Year." The Board's regulations contemplate that the Forecast Year should be the twelve-month period starting with the month in which an abandonment application is filed.⁴ Accordingly, for my analysis I have assumed that the Forecast Year would run from July 1, 2008 through June 30, 2009.

A. Revenues

This case presents a unique circumstance, in that no traffic has moved over the Subject Line since the line was embargoed (due to safety issues affecting several tunnels) on September 21, 2007. Given the pendency of this abandonment Application, and the extensive tunnel repair and rehabilitation work that would be required to permit safe operations over the Subject Line, it is not likely that any rail traffic will move over the line during the Forecast Year. Even assuming that necessary tunnel repairs were performed and rail service were restored at some point during the Forecast Year, it is difficult to predict how many shippers (and how many carloads of rail traffic) might return to the Subject Line.

In the absence of more definitive information regarding the volume of traffic that would be moving over the Subject Line if the embargo were not in effect, I considered the historical traffic levels over the Subject Line in recent years subsequent to the closing of the Weyerhaeuser facility at Cordes, OR in 2004. According to CORP, a total of 5,193 carloads moved over the Subject Line in 2005, 5,363 moved in 2006 and 4,018 moved in 2007. Because 2006 represents the highest volume year, I have (conservatively) used the 5,363 carloads that moved in that year as my Forecast Year traffic volume. Given the ongoing decline in traffic described by witness Williams, it is more likely that, if the Subject Line were in operation today, traffic volumes

⁴ 49 C.F.R. §§ 1152.2(h).

In order to estimate revenues for the Forecast Year, I computed the average revenue per car for the 5,363 cars that moved in 2006. These cars generated \$ [REDACTED] in Handling Carrier Charges (exclusive of fuel surcharge) for CORP in 2006, or an average of \$ [REDACTED] per car. To estimate Forecast Year revenues, I indexed the Handling Carrier Charge to year-end 2008 levels using [REDACTED], as prescribed by CORP's agreement with UP. To this adjusted Handling Carrier Charge, I added a fuel adjustment in the amount of [REDACTED] percent of the Handling Carrier Charge, again consistent with the fuel surcharge arrangement between CORP and UP that became effective April 1, 2008. I also calculated non-freight revenues using the same relative percentage to freight revenues as for the Base Year. Based upon this methodology, total revenues attributable to the Subject Line for the Forecast Year total \$3,718,631.

B. On-Branch Costs

To develop On-Branch Costs for the Forecast Year, I calculated the average On-Branch cost per carload by major on-branch cost category for the Base Year, indexed that amount to the Forecast Year levels using the Board's Rail Cost Adjustment Factor Adjusted for Railroad Productivity (RCAF-A) and multiplied the average On-Branch cost by the number of cars (5,363) assumed to move during the Forecast Year. Calculated in this manner, On-Branch costs attributable to the Subject Line for the Forecast Year total \$4,748,339.

C. Off-Branch Costs

To develop Off-Branch Costs for the Forecast Year, I calculated the average Off-Branch cost per carload by major off-branch cost category for the Base Year, indexed that amount to the Forecast Year levels using the Board's Rail Cost Adjustment Factor Adjusted for Railroad

Productivity (RCAF-A) and multiplied the average off-branch cost by the number of cars (5,363) assumed to move during the Forecast Year. Off-Branch costs attributable to the Subject Line for the Forecast Year total \$1,090,553.

Based upon these calculations, the avoidable loss for the Forecast Year is \$2,120,261. The substantial increase in the avoidable loss from the Base Year to the Forecast Year is attributable in large part to the cap on the annual adjustment to the Handling Carrier Charge that CORP receives from UP. Based upon the RCAF-A, operating expenses would increase by 19 percent between the Base Year and the Forecast Year. However, CORP's freight revenues would increase by only . percent during the same period. As a result, the avoidable loss for the Forecast Year grew substantially notwithstanding my assumption that traffic volume would increase from 4,773 cars in the Base Year to 5,363 cars in the Forecast Year.

IV. OPPORTUNITY COST

Using the units described in Section II above, I calculated the annual opportunity cost of operating the Subject Line for the Forecast Year. See Attachment 4. Details of my calculations are included in my work papers.

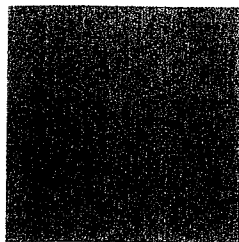
VERIFICATION

I, Michael R. Baranowski, declare under penalty of perjury that the foregoing is true and correct. Further, I certify that I am qualified and authorized to file this verified statement.


Michael R. Baranowski

Executed on July 13, 2008

Attachment 1



Michael R. Baranowski

Senior Managing Director - Economic Consulting

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Education

B.S. in Accounting,
Fairfield University

Supplemental Finance
Studies, Kean College

Mike Baranowski provides financial and economic consulting services to the telecommunications and transportation industries. He has special expertise in analyzing and developing complex computer costing models, operations analysis, and transportation engineering. Much of his work involves providing oral and written expert testimony before courts and regulatory bodies.

Some of Mr. Baranowski's representative accomplishments include:

- Overseeing the development of computer cost modeling tools designed to simulate the cost of competitive entry into local telecommunications markets and directing the efforts of a nationwide team of testifying experts presenting the cost model results in multiple proceedings across the country.
- Directing the analysis, critique and restatement of a variety of complex cost models developed by major telecommunications companies designed to simulate the forward-looking cost of competitive entry into local telecommunications markets.
- Designing multiple PC-based spreadsheet models for use in calculating the stand-alone cost of competitive entry into the railroad and pipeline markets. These models have been used to assist clients in all three network industries in making internal pricing decisions that are in compliance with governing regulatory standards.
- Conducting detailed analyses of railroad operations and developing the associated capital requirements and operating expenses attributable to specific movements and the incremental capital and operating expense requirements attributable to major changes in anticipated traffic levels.
- Calculating marginal and incremental costs for a major petroleum products pipeline company, an approach that is now used regularly by the company in making internal day-to-day pricing decisions.

Mr. Baranowski holds a B.S. in Accounting from Fairfield University in Fairfield, Connecticut and has pursued supplemental finance studies at Kean College in Union, New Jersey.

TELECOMMUNICATIONS TESTIMONY

Federal Communications Commission

February 1998	File No. E-98-05. AT&T Corp. v. Bell Atlantic Corp. Affidavit of Michael R. Baranowski.
March 13, 1998	File No. E-98-05. AT&T Corp. v. Bell Atlantic Corp. Supplemental Affidavit of Michael R. Baranowski.
June 10, 1999	CC Docket No. 96-98. Implementation of the Local Competition Provisions of the Telecommunications Act of 1996. Reply Affidavit of Michael R. Baranowski, John C. Klick and Brian F. Pitkin.



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Michael R. Baranowski

- July 25, 2001 CC Docket No. 00-251, 00-218. In the Matter of Petition of AT&T Communications of Virginia, Inc. and WorldCom, Inc., Pursuant to Section 252(e)(5) of the Communications Act, for Preemption of the Jurisdiction of the Virginia State Corporation Commission Regarding Interconnection Disputes with Verizon-Virginia, Inc. Panel
- June 13, 2005 WC Docket No. 05-25;RM-10593. In the Matter of Special Access Rates for Price Cap Local Exchange Carriers; AT&T Corp. Petition for Rulemaking to Reform Regulation of Incumbent Local Exchange Carrier Rates for Interstate Special Access Services, Joint Declaration on Behalf of SBC Communications, Inc.
- July 29, 2005 WC Docket No. 05-25;RM-10593. In the Matter of Special Access Rates for Price Cap Local Exchange Carriers; AT&T Corp. Petition for Rulemaking to Reform Regulation of Incumbent Local Exchange Carrier Rates for Interstate Special Access Services, Joint Reply Declaration on Behalf of SBC Communications, Inc.

Public Service Commission of Delaware

- February 4, 1997 PSC Docket No. 96-324. In the Matter of Bell Atlantic - Delaware Statement of Terms and Conditions Under Section 252(F) of the Telecommunications Act of 1996. Testimony of Michael R. Baranowski.

Public Service Commission of the District of Columbia

- March 24, 1997 Formal Case No. 962. In the Matter of the Implementation of the District of Columbia Telecommunications Competition Act of 1996. Testimony of Michael R. Baranowski.
- May 2, 1997 Formal Case No. 962. In the Matter of the Implementation of the District of Columbia Telecommunications Competition Act of 1996. Rebuttal Testimony of Michael R. Baranowski.

Public Service Commission of the State of Maryland

- March 7, 1997 Docket No. 8731, Phase II. In the Matter of the Petitions for Approval of Agreements and Arbitration of Unresolved Issues Arising Under Section 252 of the Telecommunications Act of 1996. Direct Testimony of Michael R. Baranowski.
- April 4, 1997 Docket No. 8731, Phase II. In the Matter of the Petitions for Approval of Agreements and Arbitration of Unresolved Issues Arising Under Section 252 of the Telecommunications Act of 1996. Rebuttal Testimony of Michael R. Baranowski.
- May 25, 2001 Case No. 8879. In the Matter of the Investigation into Rates for Unbundled Network Elements Pursuant to the Telecommunications Act of 1996. Panel Testimony on Recurring Cost Issues



Michael R. Baranowski

Public Service Commission of the State of Michigan

- January 20, 2004 Case No. U-13531. In the Matter, on the Commission's Own Motion to Review the Costs of Telecommunication Service Provided By SBC Michigan. Initial Testimony of Michael R. Baranowski and Julie A. Murphy.
- May 10, 2004 Case No. U-13531. In the Matter, on the Commission's Own Motion to Review the Costs of Telecommunication Service Provided By SBC Michigan. Final Reply Testimony of Michael R. Baranowski and Julie A. Murphy.

New Jersey Board of Public Utilities

- December 20, 1996 Docket No. TX 95120631. Notice of Investigation Local Exchange Competition for Telecommunications Services. Rebuttal Testimony of John C. Klick and Michael R. Baranowski.

North Carolina Utilities Commission

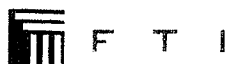
- March 9, 1998 Docket No. P-100, Sub 133d. In the Matter of Establishment of Universal Support Mechanisms Pursuant to Section 254 of the Telecommunications Act of 1996. Rebuttal Testimony of Michael R. Baranowski.

Pennsylvania Public Utility Commission

- January 13, 1997 Docket Nos. A-310203F0002 et al. MFS-III. Application of MFS Intelenet of Pennsylvania, Inc. et. Al. (Phase III). Rebuttal Testimony of Michael R. Baranowski.
- February 21, 1997 Docket Nos. A-310203F0002 et al. MFS-III. Application of MFS Intelenet of Pennsylvania, Inc. et. Al. (Phase III). Surrebuttal Testimony of Michael R. Baranowski.
- April 22, 1999 Docket Nos. P-00991648, P-00991649. Petition of Senators and CLECs for Adoption of Partial Settlement and Joint Petition for Global Resolution of Telecommunications Proceedings. Direct Testimony of Michael R. Baranowski.
- January 11, 2002 Docket No. R-00016683. Generic Investigation of Verizon Pennsylvania, Inc.'s Unbundled Network Element Rates. Panel Testimony on Recurring Cost Issues

State Corporation Commission Commonwealth of Virginia

- April 7, 1997 Case No. PUC970005. Ex Parte to Determine Prices Bell Atlantic - Virginia, Inc. Is Authorized To Charge Competing Local Exchange Carriers In Accordance With The Telecommunications Act of 1996 And Applicable State Law. Affidavit of Michael R. Baranowski.
- April 23, 1997 Case No. PUC970005. Ex Parte to Determine Prices Bell Atlantic - Virginia, Inc. Is Authorized To Charge Competing Local Exchange Carriers In Accordance With The Telecommunications Act of 1996 And Applicable State Law. Direct Testimony of Michael R. Baranowski.



Michael R. Baranowski

June 10, 1997 Case No. PUC970005. Ex Parte to Determine Prices Bell Atlantic - Virginia, Inc. Is Authorized To Charge Competing Local Exchange Carriers In Accordance With The Telecommunications Act of 1996 And Applicable State Law. Rebuttal Testimony of Michael R. Baranowski.

Washington State Utilities and Transportation Commission

December 22, 2003 Docket No. UT-033044. In the Matter of the Petition of Qwest Corporation To Initiate a Mass-Market Switching and Dedicated Transport Case Pursuant to the Triennial Review Order. Direct Testimony of Michael R. Baranowski.

February 2, 2004 Docket No. UT-033044. In the Matter of the Petition of Qwest Corporation To Initiate a Mass-Market Switching and Dedicated Transport Case Pursuant to the Triennial Review Order. Response Testimony of Michael R. Baranowski.

Public Service Commission of West Virginia

February 13, 1997 Case Nos. 96-1516-T-PC, 96-1561-T-PC, 96-1009-T-PC, 96-1533-T-T. Petition to establish a proceeding to review the Statement of Generally Available Terms and Conditions offered by Bell Atlantic in accordance with Sections 251, 252, and 271 of the Telecommunications Act of 1996. Testimony of Michael R. Baranowski.

February 27, 1997 Case Nos. 96-1516-T-PC, 96-1561-T-PC, 96-1009-T-PC, 96-1533-T-T. Petition to establish a proceeding to review the Statement of Generally Available Terms and Conditions offered by Bell Atlantic in accordance with Sections 251, 252, and 271 of the Telecommunications Act of 1996. Rebuttal Testimony of Michael R. Baranowski.

June 3, 2002 Case No. 01-1696-T-PC, Verizon West Virginia, Inc. Petition For Declaratory Ruling That Pricing of Certain Additional Unbundled Network Elements (UNEs) Complies With Total Element Long-Run Incremental Cost (TELRIC) Principles. Direct Testimony of Michael R. Baranowski

July 1, 2002 Case No. 01-1696-T-PC, Verizon West Virginia, Inc. Petition For Declaratory Ruling That Pricing of Certain Additional Unbundled Network Elements (UNEs) Complies With Total Element Long-Run Incremental Cost (TELRIC) Principles. Supplemental Direct Testimony of Michael R. Baranowski

RAILROAD TESTIMONY

Interstate Commerce Commission

March 9, 1995 Finance Docket No. 32467. National Railroad Passenger Corporation and Consolidated Rail Corporation -- Application Under Section 402(a) of the Rail Passenger Service Act for an Order Fixing Just Compensation.

October 30, 1995 Docket No. 41185. Arizona Public Service Company and PacifiCorp v. The Atchison, Topeka and Santa Fe Railway Company.



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Michael R. Baranowski

Surface Transportation Board

July 11, 1997 Docket No. 41989. Potomac Electric Power Company v. CSX Transportation, Inc. Reply Statement and Evidence of Defendant CSX Transportation, Inc.

August 14, 2000 Docket No. 42051. Wisconsin Power and Light Company v. Union Pacific Railroad Company, Reply Verified Statement of Christopher D. Kent and Michael R. Baranowski.

September 20, 2002 STB Docket No. 42070. Duke Energy Corporation v. CSX Transportation, Inc., Reply Evidence and Argument of CSX Transportation, Inc.

September 30, 2002 STB Docket No. 42069. Duke Energy Corporation v. Norfolk Southern Railway Company, Reply Evidence and Argument of Norfolk Southern Railway Company.

October 11, 2002 STB Docket No. 42072. Carolina Power & Light v. Norfolk Southern Railway Company, Reply Evidence and Argument of Norfolk Southern Railway Company.

November 12, 2002 Docket No. 42070 Duke Energy Corporation v. CSX Transportation, Rebuttal Evidence and Argument of CSX Transportation

November 19, 2002 Docket No. 42069 Duke Energy Corporation v. Norfolk Southern Railway Company, Rebuttal Evidence and Argument of Norfolk Southern Railway Company

November 27, 2002 Docket No. 42072 Carolina Power & Light Company v. Norfolk Southern Railway Company, Rebuttal Evidence and Argument of Norfolk Southern Railway Company

January 10, 2003 STB Docket No. 41185. Arizona Public Service Co. And PacifiCorp v. The Atchison, Topeka and Santa Fe Railway Company, Petition of the Burlington Northern and Santa Fe Railway Company to Reopen and Vacate Rate Prescription.

February 19, 2003 STB Docket No. 42077, Arizona Public Service Co. And PacifiCorp v. The Burlington Northern and Santa Fe Railway Company, and STB Docket No. 41185, Arizona Public Service Co. And PacifiCorp v. The Burlington Northern and Santa Fe Railway Company, Reply of the Burlington Northern Santa Fe Railway Company in Opposition to Petition for Consolidation.

April 4, 2003 Docket No. 42057 Public Service Company of Colorado D/B/A Xcel Energy v. The Burlington Northern and Santa Fe Railway Company, Reply Evidence and Argument of The Burlington Northern and Santa Fe Railway Company

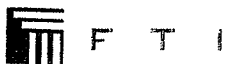
October 8, 2003 Docket No. 42071 Otter Tail Power Company v. The Burlington Northern and Santa Fe Railway Company, Reply Evidence of The Burlington Northern and Santa Fe Railway Company

October 24, 2003 Docket No. 42069 Duke Energy Corporation v. Norfolk Southern Railway Company, Supplemental Evidence of Norfolk Southern Railway Company



Michael R. Baranowski

October 31, 2003	Docket No. 42069 Duke Energy Corporation v. Norfolk Southern Railway Company, Reply of Norfolk Southern Railway Company to Duke Energy Company's Supplemental Evidence
November 24, 2003	Docket No. 42072 Carolina Power & Light Company v. Norfolk Southern Railway Company, Supplemental Evidence of Norfolk Southern Railway Company
December 2, 2003	Docket No. 42072 Carolina Power & Light Company v. Norfolk Southern Railway Company, Reply of Norfolk Southern Railway Company to Carolina Power & Light Company's Supplemental Evidence
December 12, 2003	Docket No. 42069 Reply of Norfolk Southern Railway Company to Duke Energy Corporation's Petition to Correct Technical Error and Affidavit of Michael R. Baranowski
January 5, 2004	Docket No. 42070 Duke Energy Corporation v. CSX Transportation, Inc., Supplemental Evidence of CSX Transportation, Inc.
January 26, 2004	Docket No. 42058 Arizona Electric Power Cooperative, Inc. v. The Burlington Northern and Santa Fe Railway Company and Union Pacific Railroad Company, Joint Supplemental Reply Evidence and Argument of The Burlington Northern and Santa Fe Railway Company and Union Pacific Railroad Company
March 22, 2004	Docket No. 42071 Otter Tail Power Company v. The Burlington Northern and Santa Fe Railway Company, Supplemental Reply Evidence of The Burlington Northern and Santa Fe Railway Company
April 9, 2004	Docket No. 41185 Arizona Public Service Company and PacifiCorp v. The Burlington Northern and Santa Fe Railway Company, The Burlington Northern and Santa Fe Railway Company's Reply Evidence on Reopening
May 24, 2004	Docket No. 41191 (Sub-No. 1) AEP Texas North Company v. The Burlington Northern and Santa Fe Railway Company, Reply Evidence of The Burlington Northern and Santa Fe Railway Company
June 23, 2004	Docket No. 42057 Public Service Company of Colorado d/b/a Xcel Energy v. The Burlington Northern and Santa Fe Railway Company, Petition to Correct Technical and Computational Errors
March 1, 2005	Docket No. 42071 Otter Tail Power Company v BNSF Railway Company, Supplemental Evidence of BNSF Railway Company
April 4, 2005	Docket No. 42071 Otter Tail Power Company v BNSF Railway Company, Reply of BNSF Railway Company to Supplemental Evidence
July 20, 2005	Docket No. 42088 Western Fuels Association, Inc. and Basin Electric Power Cooperative, Inc. v. BNSF Railway Company, Reply Evidence of BNSF Railway Company



Michael R. Baranowski

May 1, 2006	Docket No. Ex Parte 657 (Sub-No. 1) Major Issues in Rail Rate Cases, Verified Statement Supporting Comments of BNSF Railway Company
May 31, 2006	Ex Parte 657 (Sub-No. 1) Major Issues in Rail Rate Cases; Verified Statement Supporting Reply Comments of BNSF Railway Company
June 15, 2006	Docket No. 42088 Western Fuels Association, Inc. and Basin Electric Power Cooperative, Inc. v. BNSF Railway Company, Reply Supplemental Evidence of BNSF Railway Company
June 15, 2006	Docket No. 41191 (Sub 1) AEP Texas North Company v. BNSF Railway Company, Reply Supplemental Evidence of BNSF Railway Company
June 30, 2006	Docket No. Ex Parte 657 (Sub-No. 1) Major Issues in Rail Rate Cases; Verified Statement Supporting Rebuttal Comments of BNSF Railway Company
February 4, 2008	Docket No. 42099 E.I. DuPont De Nemours and Company v. CSX Transportation, Inc., Opening Evidence of CSX Transportation, Inc.
February 4, 2008	Docket No. 42100 E.I. DuPont De Nemours and Company v. CSX Transportation, Inc., Opening Evidence of CSX Transportation, Inc.
February 4, 2008	Docket No. 42101 E.I. DuPont De Nemours and Company v. CSX Transportation, Inc., Opening Evidence of CSX Transportation, Inc.
May 1, 2008	Docket No. Ex Parte 679 Petition of the AAR to Institute a Rulemaking Proceeding to Adopt a Replacement Cost Methodology to Determine Railroad Revenue Adequacy, Verified Statement of Michael R. Baranowski

US District Court for Northern District of Oklahoma

January 2, 2007	Case No. 06-CV-33 TCK-SAJ, Grand River Dam Authority v. BNSF Railway Company; Report of Michael R. Baranowski
February 2, 2007	Case No. 06-CV-33 TCK-SAJ, Grand River Dam Authority v. BNSF Railway Company; Reply Report of Michael R. Baranowski

Circuit Court of Pulaski County, Arkansas

August 17, 2007	Case No. CV 2006-2711, Union Pacific Railroad v. Entergy Arkansas, Inc. and Entergy Services, Inc., Expert Witness Report of Michael R. Baranowski
December 14, 2007	Case No. CV 2006-2711, Union Pacific Railroad v. Entergy Arkansas, Inc. and Entergy Services, Inc., Reply Expert Witness Report of Michael R. Baranowski

U.S. District Court for the Eastern District of Wisconsin

February 14, 2008	Case No. 06-C-0515, Wisconsin Electric Power Company v. Union Pacific Railroad Company, Expert Reply Report of Michael R. Baranowski
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Arbitrations and Mediations

March 7, 2005	Arbitration Case #181 Y 00490 04 BNSF Railway Company and J.B. Hunt Transport, Inc., Expert Report on behalf of BNSF Railway Company
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Michael R. Baranowski

March 28, 2005	Arbitration Case #181 Y 00490 04 BNSF Railway Company and J.B. Hunt Transport, Inc., Rebuttal Expert Report on behalf of BNSF Railway Company
April 12, 2005	Arbitration Case #181 Y 00490 04 BNSF Railway Company and J.B. Hunt Transport, Inc., Supplemental Expert Report on behalf of BNSF Railway Company
April 19, 2005	Arbitration Case #181 Y 00490 04 BNSF Railway Company and J.B. Hunt Transport, Inc., Supplemental Rebuttal Expert Report on behalf of BNSF Railway Company
April/May 2005	Arbitration Case #181 Y 00490 04 BNSF Railway Company and J.B. Hunt Transport, Inc., Hearings before Arbitration Panel
February 20, 2007	In the Matter of the Arbitration between the Detroit Edison Company, et al, and BNSF Railway Company, Expert Report of Michael R. Baranowski
March 19, 2007	In the Matter of the Arbitration between the Detroit Edison Company, et al, and BNSF Railway Company, Supplemental Expert Report of Michael R. Baranowski



Attachment 2

REDACTED

Attachment 3

REDACTED

Attachment 4

Central Oregon & Pacific Railroad Company
Opportunity Cost of Operating the Line for:
Branch name: Coos Bay

		Base Year	Forecast Year
1	Market value of non-revisionary land	\$5,697,000	\$5,697,000
2	Value of salvageable scrap & secondhand materials	\$18,725,439	\$18,725,439
3	Cost of removal	(\$4,881,711)	(\$4,881,711)
4	Working capital	\$183,477	\$183,477
5	Income tax benefits	\$0	\$0
6	Valuation of road property (L.1 through L.5)	\$19,724,206	\$19,724,206
7	Current nominal cost of capital	14.60%	14.60%
8	Opportunity cost (L.6*L.7)	\$2,879,734	\$2,879,734

REX

BEFORE THE
SURFACE TRANSPORTATION BOARD

Central Oregon & Pacific Railroad, Inc. – Abandonment	)	
and Discontinuance of Service – in Coos, Douglas, and	)	Docket No. AB-515 (Sub-No. 2)
Lane Counties, Oregon (Coos Bay Rail Line)	)	
	)	

VERIFIED STATEMENT OF CHARLES W. REX III

My name is Charles W. “Sandy” Rex III. I am co-owner of RMI Midwest (“RMI”), a firm specializing in real estate appraisal. My business address is 1200 Central Avenue, Suite 330, Wilmette, Illinois 60091. My qualifications include more than thirty-six years of experience in real estate appraising, specializing in the valuation and analysis of railroad corridors and other rail properties. I received a Bachelor of Arts in Economics from Virginia Military Institute in 1972, and am a Member of the Appraisal Institute. Over the last 15 years, I have conducted approximately 100 significant rail property valuation projects and appraisals for transportation companies. *See* Attachment 2 (qualifications and experience).

I am a licensed real estate appraiser in several states and have been qualified as an expert witness in several state and federal courts in Florida and Illinois. *See* Charles W. Rex III Qualifications. (Attachment 2) I obtained a temporary State Certified General Appraiser license from the State of Oregon (No. TNR1662) for the purpose of appraising the portion of the Coos Bay Subdivision that Applicant Central Oregon & Pacific Railroad seeks authority to abandon (hereinafter the Abandonment Segment). *See* Attachment 3.

I previously testified before the Board concerning my appraisal and valuation of the land on a rail corridor that CSXT proposed to abandon. *See* V.S. Charles W. Rex, STB Dkt. No. AB-55 (Sub-No. 643), *CSX Transportation, Inc. – Abandonment Exemption – In LaPorte, Porter and Stark Counties, IN* (March 31, 2004). In that proceeding, an affected town made an offer of

financial assistance (“OFA”). The town challenged the valuation evidence and challenged the appraisal methodology and valuation I submitted on behalf of CSXT. The Board considered the competing evidence and arguments submitted by the town that submitted the OFA and by CSXT, and adopted the evidence and valuation I developed and supported on behalf of CSXT. *See* STB Dkt. No. AB-55 (Sub-No. 643), *CSX Transportation, Inc. – Abandonment Exemption – In LaPorte, Porter and Stark Counties, IN*, Decision at 5-6 (April 30, 2004).

The purpose of this Verified Statement is to summarize my appraisal of the net liquidation value (“NLV”) of the real estate corridor underlying that portion of the of the Central Oregon & Pacific Railroad, Inc. (“CORP”)’s “Coos Bay Subdivision” that is the subject of the abandonment portion of this abandonment and discontinuation application (hereinafter, that line of railroad will be referred to as the “Abandonment Segment”).¹ The NLV report itself is attached to this statement. *See* Report, Net Liquidation Value of The Coos Bay Line in Lane, Douglas, and Coos Counties, Oregon (July 11, 2008) (copy at Attachment 1). I understand that this appraisal is to be used as a component of the calculation of the overall Net Liquidation Value (“NLV”) of the Abandonment Segment, for purposes of CORP’s application for authority to abandon that line of railroad. The subject Segment extends 94.13 miles between the stations of Vaughn, OR (Mile Post 669) and Cordes, OR (Mile Post 763.13). The NLV appraisal of the land comprising the Abandonment Segment right of way corridor was prepared by me and by others under my supervision.

As described and explained in detail in the attached Report, I conducted a complete appraisal of the Abandonment Segment land, and developed an estimate of the Net Liquidation

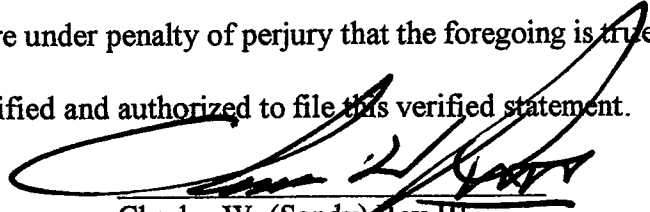
¹ In this verified statement, I use the term “Abandonment Segment” to refer only to the line of railroad for which CORP seeks abandonment authority, which runs between Milepost 669 and Milepost 763.13.

Value of that land, based on the appraisal and the estimated costs of selling those parcels, all using standard, well-accepted methodologies and in accordance with applicable professional standards and practices. *See* Attachment 1 (Report). I used the Across The Fence (“ATF”) methodology to estimate the value of all land parcels that CORP owns in fee simple. This (ATF) is the same valuation methodology the Board accepted and used in the CSXT abandonment proceeding I discussed above. *See* STB Dkt. No. AB-55 (Sub-No. 643X), *CSX Transportation – Abandonment* Decision at 4-5.

I then estimated the time and cost of disassembling and selling those parcels, including the holding cost, cost of sales, and yield rate an investor would require in order to undertake the sale of the parcels. Finally, based upon the appraised value of the parcels and the estimate cost of selling those parcels, I developed an estimate of the NLV of the property. Based on my appraisal and analysis, I estimate the NLV of the subject property (the Abandonment Segment right of way and surrounding land) to be \$5,697,000. *See* Attachment 1.

VERIFICATION

I, Charles W. (Sandy) Rex III, declare under penalty of perjury that the foregoing is true and correct. Further, I certify that I am qualified and authorized to file this verified statement.



Charles W. (Sandy) Rex III

Executed on July 9, 2008

Attachment 1



1200 CENTRAL AVENUE, SUITE 330 • WILMETTE, ILLINOIS 60091
847.920.9033 • FAX 847.920.9450

CHARLES W. (SANDY) REX III, MAI
SUSAN MOTYCKA REX

NET LIQUIDATION VALUATION OF
THE COOS BAY LINE IN
LANE, DOUGLAS, AND COOS COUNTIES, OREGON

PREPARED FOR
TODD N. CECIL
VICE PRESIDENT - REAL ESTATE
RAILAMERICA, INC.
1355 CENTRAL PARKWAY SOUTH, SUITE 700
SAN ANTONIO, TEXAS 78232

DATE OF VALUE: MAY 19, 2008
DATE OF REPORT: JULY 11, 2008

PREPARED BY
RMI MIDWEST



1200 CENTRAL AVENUE, SUITE 330 • WILMETTE, ILLINOIS 60091
847.920.9033 • FAX 847.920.9450

CHARLES W. (SANDY) REX III, MAJ
SUSAN MOTYCKA REX

July 11, 2008

Todd N. Cecil
Vice President - Real Estate
RailAmerica, Inc.
1355 Central Parkway South, Suite 700
San Antonio, Texas 78232

RE: Net liquidation value estimate of the Coos Bay Line in Lane, Douglas, and Coos
Counties, Oregon

Dear Mr. Cecil:

At your request, I have prepared an estimate of the net liquidation value (NLV) of the rail line referenced above. The date of valuation is May 19, 2008. This is a complete appraisal communicated in a summary format; a self-contained narrative report can be prepared at your request.

SCOPE OF WORK

The subject property was inspected by helicopter, by car, and by aerial photography from May 12 through 15, 2008. The subject inspection by helicopter was also recorded on a digital camcorder. Across-the-fence (ATF) land uses were classified at that time based on physical observation, as well as analysis of ortho-rectified aerial photography and by various local government land use and zoning overlay GIS files. Changes in land use were plotted in ArcGIS using GPS data acquired during inspection. ArcGIS was used to calculate the areas of the corridor from georeferenced railroad valuation maps in tagged image file format (.tif). ATF land use lines were then plotted in ArcGIS where the segment areas were calculated.

A search for sales comparable to the ATF land uses was undertaken in Lane, Douglas, and Coos Counties. Each sale was plotted in ArcGIS, and all accessible sales were inspected between May 12 and 19, 2008.

The sales and listings were analyzed, and an ATF value was estimated for each segment along the line. Since this is an NLV estimate, ATF value estimates were applied only to those portions of

July 11, 2008

Todd N. Cecil
Vice President - Real Estate
RailAmerica, Inc.
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Todd N. Cecil
July 11, 2008
Page 3

the segments owned in fee. The title was mapped using a title study provided to us by Gleaves Swearingen Potter & Scott LLP (Addendum C), together with the "Schedule of Property" on each railroad Valuation Map (Val Map).

The NLV was then estimated based on the expected time it would take to disassemble and sell the fee parcels, taking into consideration holding cost, cost of sales, and risk, or yield rate required by an investor to undertake the selling of the dissembled parcels.

This appraisal does *not* include the valuation of any improvements, nor does it consider the cost of land clearing or grading.

As requested, this is a summary appraisal; therefore, the descriptions of the subject property and valuation analysis are summarized in compliance with USPAP Standards Rule 2-2 (b).

PURPOSE AND INTENDED USE

The purpose of this valuation is to provide an NLV estimate to assist in the legal abandonment of the rail line and in contemplation of an offer of financial assistance (OFA) or feeder line acquisition as part of the abandonment process before the Surface Transportation Board (STB). It is anticipated that the users of this report are RailAmerica personnel, their legal counsel, as well as STB staff.

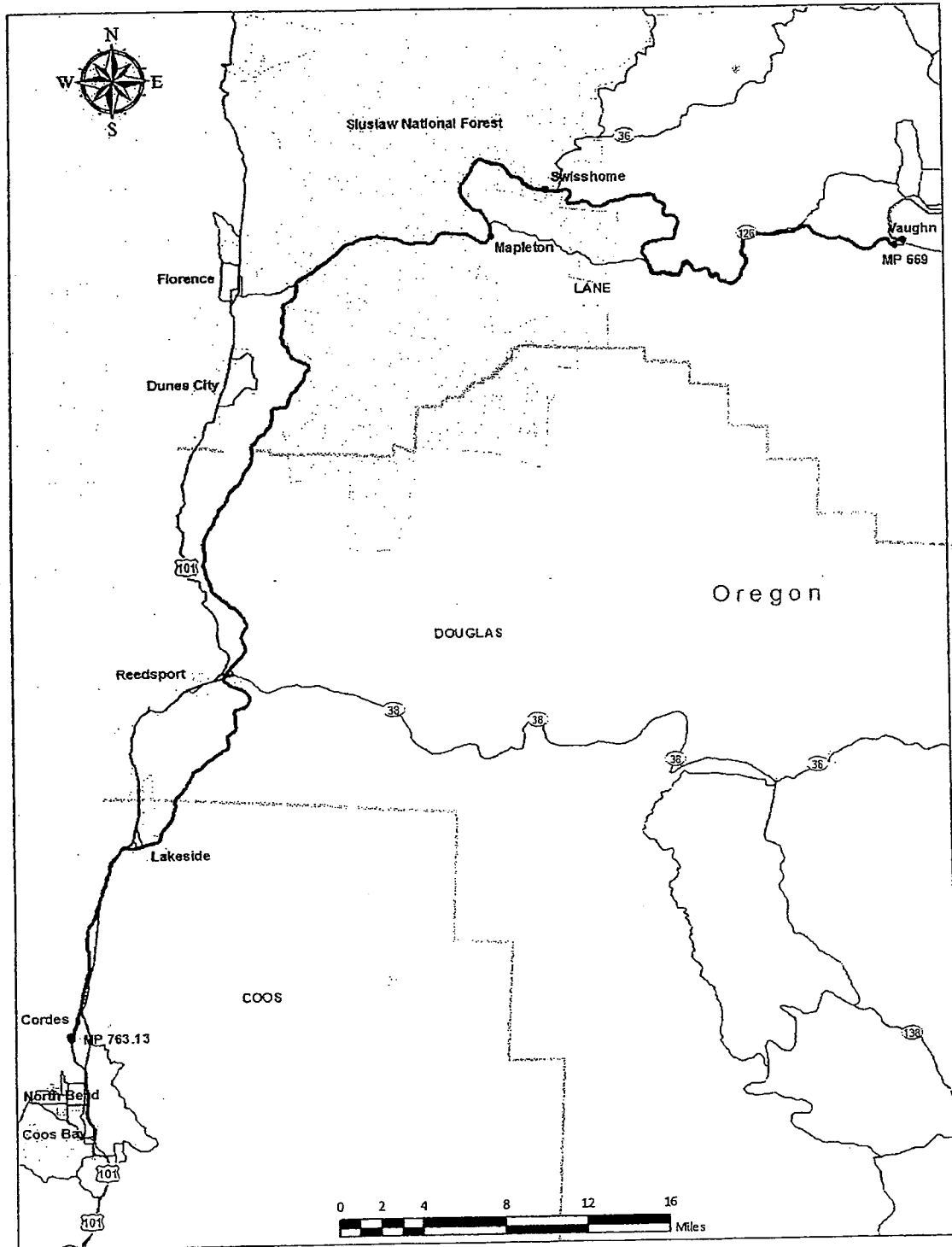
DEFINITION OF NET LIQUIDATION VALUE

Net liquidation value shall be determined by computing the current appraised market value of the corridor property for other than rail transportation purposes, less all costs of dismantling and disposition of improvements necessary to make the remaining properties available for their highest and best use and complying with applicable zoning, land use, and environmental regulations.¹ *This is an appraisal of the land only; the net salvage value of any improvements is not included.*

SUBJECT PROPERTY DESCRIPTION

The subject property is an approximately 94.13-mile corridor extending from Mile Post 669.0 at Vaughn to Mile Post 763.13 at Cordes. A map of the subject is on the following page.

¹ 49 C.F.R. §1152.34 (c)(1)(iii).



Todd N. Cecil
July 11, 2008
Page 5

A legal description was not provided for the subject property. It is, however, shown on the Val Maps identified by the following map numbers:

V-2/6	V-2/13	V-2/S-18	V-2/23	V-2/28
V-2/7	V-2/14	V-2/19	V-2/S-23	V-2/S-28
V-2/8	V-2/S-14	V-2/S-19a	V-2/S-23a	V-2/29
V-2/S-8	V-2/15	V-2/S-19b	V-2/24	V-2/30
V-2/9	V-2/S-15	V-2/20	V-2/S-24	V-2/S-30a
V-2/S-9	V-2/16	V-2/S-20	V-2/S-24a	V-2/S-30b
V-2/10	V-2/S-16	V-2/21	V-2/25	V-2/S-30c
V-2/S-10	V-2/17	V-2/S-21a	V-2/S-25	
V-2/S-10a	V-2/S-17	V-2/S-21b	V-2/26	
V-2/11	V-2/S-17a	V-2/22	V-2/S-26	
V-2/12	V-2/18	V-2/S-22	V-2/27	

The subject contains approximately 1,676± acres, of which 216± acres of which are owned in less-than-fee title. Approximately 1357± acres are in fee, and an additional 103± acres are fee less other rights. Only the 1460± acres of fee-titled ownership are used to estimate the NLV.

Located in rural central western Oregon, the subject corridor is a portion of the Central Oregon & Pacific Railroad right-of-way, running between Eugene and Coos Bay. The subject runs through the small communities of Swisshome, Mapleton, Reedsport, and Lakeside. Within these communities, the subject passes through mostly single-family/rural residential uses and some industrial and commercial uses. Outside of these communities, the subject property is primarily bordered by large timber acreage, some farm acreage, and rural residential. The terrain in this region is mountainous, with the subject running through river valleys, along coastal lagoons and lakes and through several tunnels.

At the time of inspection, the subject property was under a service embargo, due to safety concerns in one or more tunnels.

Maps showing the subject property segments and fee title parcels are included in Addendum D: RMI Midwest Map Book. This appraisal should be used only in conjunction with this addendum volume.

INTEREST APPRAISED

This is an NLV estimate of the fee simple interest, taking into account rights held by others (e.g. roads.) Determining whether the railroad holds fee to the property is based solely upon advice provided by Gleaves Swearingen Potter Scott, LLP. A copy of this firm's report is included in Addendum C. The identification and size of the particular Val Map parcels is based solely on the location depicted on the Val Maps. Areas of each parcel and segment are calculated using ArcGIS.

ZONING/LAND USE

Portions of the ATF are zoned by Lane, Douglas, and Coos Counties. The predominant zoning/land-use classification is forest land; however, portions are zoned residential, commercial, industrial, recreational, and farm. In classifying the ATF land uses, we considered current zoning and land-use codes.

MARKET ANALYSIS

The subject market area is the western portions of Lane, Douglas and Coos Counties. More specifically, from the town of Noti in Lane County west to the outskirts of the town of Florence in Lane County, then south to that portion of North Bend on the north side of the Coos Bay in Coos County. The major communities include: Noti, Swisshome, Mapleton, Florence, Reedsport, Lakeside and North Bend.

While the residential market for the subject communities has recently experienced a downturn of approximately 6% in average annual median home sale value over the past year, due to oversupply and an increase in foreclosures, the five and ten year sales histories for the subject communities show an average annual increase in median home sale value of 13 and 25 percent, respectively. The industrial market shows an oversupply and little demand, while the commercial and acreage market does not appear to be affected by the current residential downturn.

HIGHEST AND BEST USE

By definition, the highest and best use of the subject property for an NLV estimate is for the disassemblage of the corridor and sale to adjacent land owners. Accordingly, this valuation assumes that the subject property is hypothetically sold to a single purchaser for such purpose.

Todd N. Cecil

July 11, 2008

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VALUATION

In a net liquidation valuation, the present value of disassembling the subject corridor and selling the fee parcels to mostly adjoining property owners is estimated by valuing all fee-owned ATF parcels based on their land uses. The corridor is divided into segments based on ATF land use changes on one side or the other. Where the land use is different on each side of the corridor, the average unit value for each land use is used. The ATF unit value is then multiplied by the size of the segment. The total ATF value is then discounted, taking into account the time required to sell the individual parcels, holding costs, the cost of sales, and the yield rate required by a potential purchaser. Estimated ad valorem taxes are accounted for by adding the weighted average effective tax rate to the discount rate.

The following ATF land uses are found along the subject corridor:

- Acreage (timber)
- Pasture
- Wetlands
- Rural residential
- Single-family residential
- Commercial
- Industrial

A map showing the locations of all comparable ATF sales is included in the Addendum.

Figure 1, on the following page, shows the ATF unit values used for the subject corridor.

REDACTED

Attachment 2

CHARLES W. (SANDY) REX III, MAI
QUALIFICATIONS

BUSINESS

ADDRESS: RMI Midwest
1200 Central Avenue, Suite 330
Wilmette, Illinois 60091
Telephone: 847-920-9033
Cell: 847-507-7212
Fax: 847-920-9450
e-mail: cwrexiii@rmimidwest.com

PROFESSIONAL

ORGANIZATIONS: Member of the Appraisal Institute;
MAI designation, Certificate No. 6853

EXPERIENCE: Partner & co-owner of RMI Midwest, 1992-present

Education consultant, Appraisal Institute, 1992-1993

President of Rex-McGill, Inc., 1987-1992

President of Pinel, Rex & Carpenter, Inc., 1986 to 1987

Appraiser with "Rex-McGill," beginning in 1971

Specializing in the valuation and analysis of corridors and other railroad properties, as well as conservation easements.

Primary assignments also include the valuation of large land tracts (including development land, agricultural properties, timberlands, multi-use developments, and environmentally sensitive lands) and partial interests.

Valuing partnership interests, conservation easements, lease fee interests, leasehold interests, air rights, transferable development rights, joint ventures, as well as fee simple rights.

Clients include government agencies (federal and state), corporations, pension funds, investment bankers, financial institutions, insurance companies, nonprofit conservancy groups, attorneys, and individuals.

Qualified as an expert witness in the Federal District Courts in Florida and Illinois; US Court of Claims; US Bankruptcy Court; Florida and Illinois Circuit Courts.

Approved appraiser for the Florida Department of Environmental Protection.

LICENSES &
CERTIFICATION:

Alabama Certified General Real Property Appraiser G00610
May 29, 2002 – September 30, 2009

Florida Certified General Appraiser, 0000143
April 15, 2005 – November 30, 2008

Georgia Certified General Real Property Appraiser, 285622
2005- May 31, 2009

Illinois State Certified General Real Estate Appraiser, 553-000785
September 30, 1991 – September 30, 2009

Indiana Certified General Appraiser, CG40300403
September 27, 2003- June 30, 2008

Massachusetts Certified General Real Estate Appraiser, 5601-257042
October 6, 2000 – May 22, 2010

Michigan Certified Appraiser, 1201007606
July 20, 1999 – July 31, 2008

New Jersey Certified General Appraiser, 42RG00194200
July 30, 2002 – December 31, 2009

New York Certified Real Estate General Appraiser, 46000039279
May 22, 2000 – May 21, 2008

Virginia Certified General Real Estate Appraiser, 4001 013685

EDUCATION:

Virginia Military Institute, Bachelor of Arts in Economics, 1972

Completed and passed all courses for the MAI designation under the direction of the former American Institute of Real Estate Appraisers (now the Appraisal Institute).

Certified under the Appraisal Institute's voluntary program of continuing education for its designated members. MAIs who meet the minimum standards of this program are awarded periodic educational certification.

PROFESSIONAL
TEACHING:

Approved Appraisal Institute instructor for the following: *Valuation of Conservation Easements* course; Case Studies in Highest and Best Use, *Partial Interest Valuation — Divided*, *Partial Interest Valuation — Undivided* seminars.

Appraiser continuing education instructor for the Ohio Association of REALTORS (1995) and for the Wisconsin Association of REALTORS® (2000): Market Analysis and Highest and Best Use; Transitional Properties.

Instructor for Reporting the Results of Forestland Appraisals course, Duke University School of the Environment, 1993; co-instructor for Valuation of Timberlands seminar, Duke University School of the Environment, 1987; panel member at the Fourth Timberland Marketplace Conference, Duke University, 1985.

EDUCATIONAL
PROGRAM
DEVELOPMENT:

Course co-developer of the Appraisal Institute's Conservation Easement Certificate Program.

Developer of Appraisal Institute seminars: *Partial Interest Valuation — Divided*, *Partial Interest Valuation — Undivided* (1999); *Highest and Best Applications* (1995); *Subdivision Analysis*, revision (1993).

Developer of the Appraisal Institute's Report Writing and Valuation Analysis course (1986) and of AIREA's Real Estate Appraisal Applications state-certification module (1989).

Co-developer of the Appraisal Institute's *Timberland Valuation* seminar (1988).

Presentations:

Conservation easement valuation at the Land Trust Alliance, Madison, Wisconsin, conference, October 2005.

"Corridors and Rights-of-Way: Valuation & Policy," sponsored by The Centre for Advanced Property Economics and International Right of Way Association, 2002; "Linear Rights of Way: Federal Agency Rent

Schedules Reforged," sponsored by the Appraisal Institute for the US Bureau of Land Management and US Forest Service, 2001.

Southwest Florida Land Trust's conservation easement seminar, 1997;
Coastal Georgia Land Trust, Inc.'s conservation easement seminar, 1994;
Red Hills Conservation Association's Conservation Easements and Estate Planning program, 1993.

PROFESSIONAL
SERVICE:

Member, *Appraisal Journal* Review Panel, 2006 – present.

Member, Region III Nominating Committee, Appraisal Institute, 2001.

Chair, Education Committee; Chicago Chapter of the Appraisal Institute, 1997-2000.

Member, General Appraiser Board Education Committee and Body of Knowledge Committee; Appraisal Institute, 1994.

Vice President and President-elect, 1991, Greater Florida Chapter of the Appraisal Institute; Chair, Education Committee, AIREA Florida Chapter 2, 1988-91.

Coordinator, Level II Curriculum Development, 1990-1991; Member, Division of Curriculum, Appraisal Institute, 1985-1991; Chair, Development Subcommittee, Appraisal Institute, 1989-1991; Appraisal Institute.

RECOGNITIONS:

Chicago Chapter of the Appraisal Institute's Distinguished Service Award, 1999.

Appraisal Institute's George L. Schmutz Award in recognition of contributions to the advancement of appraisal knowledge, 1991.

RMI MIDWEST: CHARLES W. (SANDY) REX III, MAI
PROJECTS & ASSIGNMENTS: RAIL CORRIDORS

NOTE: To maintain confidentiality, clients have not been individually identified; however, they include private transportation corporations, state agencies, attorneys, and not-for-profit conservation groups.

Central Oregon Valuation of transmission line easement across tribal reservation, as well as go-around costs. 07-100	Current 30 miles
Miami to Jacksonville, Florida Valuation of an entire regional railroad including going concern and rolling stock	Current 450± miles
UP v. Kendall Morgan Consultation on underground pipeline easement 05-250	Current 1,800 miles
High Line (south of 30th Street), Chelsea; New York City Valuation of an inactive rail line air rights corridor in lower Manhattan 05-240	Current 2 miles
Brooklyn-Queens Expressway; Phases I & II, New York City Valuation of partial taking of a secondary line in the Borough of Queens. 03-440/00-180	Current 4-5 miles
Long Island, New York Valuation of power line easement within LIRR right-of-way. 06-130	September 2007 125 miles
De Land to Kissimmee, Florida Valuation of mainline running from De Land through downtown Orlando to Kissimmee; included some yards. Valuation of track improvements. 06-260	September 2007 94± miles
St. Louis County, Missouri Valuation of aerial occupancy within a mainline corridor through the city of St. Louis suburbs 07-120	August 2007 12 miles
Miami to Homestead, Florida Valuation of industrial lead and two spurs, running from Miami International Airport to Homestead. Valuation of track improvements 06-250	May 2007 44± miles
Framingham-to-South Sudbury, Massachusetts Valuation of NITU 05-310	May 2007 4.62 miles

RMI MIDWEST: CHARLES W. (SANDY) REX III, MAI
PROJECTS & ASSIGNMENTS: RAIL CORRIDORS

Bergen and Passaic Counties, New Jersey Valuation of partial corridor acquisition for mass transit 06-150	February 2007 10 miles
Norfolk Southern v. Union Electric Company; St. Louis Aerial corridor within railroad right-of-way 05-270	November 2006 5.73 miles
MBTA; New Bedford to Falls River, Massachusetts Valuation and negotiation consultation for the sale of an active rail corridor to a mass transit agency. 04-240/06-120	September 2006 30± miles
Tygart-to-Bergoo, West Virginia Consultation and valuation of corridor and rail improvements 04-270	August 2006 132 miles
Norwalk, Connecticut Valuation of abandoned corridor 05-340	March 2006 One mile
De Land-to-Kissimmee, Florida Valuation of mainline corridor. Extends through downtown Orlando 05-300	March 2006 65± miles
Lynchburg, Virginia Valuation of a pipeline easement within rail corridor 05-220	February 2006 1.5± miles
Boston-to-Worcester, Massachusetts Mainline valuation including land and rail improvements 05-350	January 2006 40± miles
Bloomington-to-Indianapolis, Indiana Rent estimate for a proposed occupancy to be used in negotiations with a municipality. Client is a midsized regional rail company 06-100	January 2006 41 miles
North of Roosevelt Road; Chicago Update of valuation of vacant, former rail yards with a highest and best use as residential development; near central business district of Chicago 05-330	December 2005 5.6 acres
St. Louis, Missouri Aerial corridors within railroad rights-of-way 05-260	December 2005 13± miles

RMI MIDWEST: CHARLES W. (SANDY) REX III, MAI
PROJECTS & ASSIGNMENTS: RAIL CORRIDORS

Poughkeepsie & Hospital industrial track; Dutchess County, New York NITU rail road valuation	November 2005 4.5± miles
Etowah-to-Copperhill improvements; Tennessee Valuation of rail improvements	November 2005 41 miles
Blenheim industrial track; Sarnia Subdivision, Ontario, Canada Valuation of corridor and rail improvements	September 2005 60± miles
Cordova-to Memphis bridge; Tennessee Valuation and reproduction costs of a rail road bridge	June 2005 16± miles
St. Petersburg, Pinellas County, Florida Segment of rail line to be abandoned for rail-to-trail purposes; NITU	April 2005 2.15 miles
Carpendale, West Virginia Corridor valuation, including tunnel and bridge 04-190	November 2004 1 mile
Norfolk Southern Rail corridor, Toledo, Ohio Valuation of a rail corridor as part of a municipal water main project; pipeline easement.	September 2004 2± miles
Highway 41, Selma, Alabama Valuation of land and track improvements for bargain sale.	April 2004 3± miles
North Bergen, New Jersey Preliminary valuation of a 10,000-lineal-foot-by-10-foot sewer easement	August 2004
Etowah-to-Copperhill bridge; Tennessee Valuation of 33 bridges.	July 2004 46 miles
Gibson Yard, Lake County, Indiana	May 2004
Moorman-to-Wilson Station; Kentucky Valuation of line to be abandoned.	March 2004 3± miles
Central Electric; Williamsburg, South Carolina A participant in a court-appointed panel for the valuation of an aerial crossing easement over the railroad.	February 2004
Pompton line; New Jersey Valuation consultant for the valuation of a partial interest purchase of a pipeline easement.	February 2004
Sheepskin Trail Valuation of fee-owned parcels of an abandoned rail corridor.	January 2004 30± miles

RMI MIDWEST: CHARLES W. (SANDY) REX III, MAI
PROJECTS & ASSIGNMENTS: RAIL CORRIDORS

Wabash line, Indiana Estimate of net liquidation value of a rail line.	December 2003 30± miles
West Shore; New York Preliminary valuation of an industrial track in Upstate New York.	December 2003 5.9 miles
Alma-to-Elwell; Michigan Preliminary valuation of a rail line in central Michigan.	December 2003
Shenandoah subdivision; Virginia Preliminary valuation of an industrial lead in Northern Virginia and West Virginia.	December 2003 46 miles
Lorain-to-Lester line, Ohio Valuation of land and track improvements.	December 2003 15± miles
Piedmont Subdivision, Virginia Preliminary valuation of an active Class I rail corridor.	November 2003 201.2 miles
Ft. Wayne, Ohio & Indiana Preliminary valuation of an active Class I rail corridor.	October 2003 250.76 miles
Rails-to-Trails Valuation memorandum on the market value of reversionary interest donations under the National Trails System Act.	October 2003
Selma-to-Myrtle Wood, Alabama Preliminary valuation of an active Class I rail corridor.	September 2003 58.13 miles
Hoopston; Illinois Preliminary valuation of a short industrial track.	August 2003 1 mile
Henning-to-Rossville junction; Illinois Preliminary valuation of an industrial track in east central Illinois.	August 2003 6 miles
Shepherd Branch; Washington, DC Estimate of market value for negotiations with the District of Columbia and federal government. Included the valuation of current and future occupancies.	August 2003 6 miles
Limedale; Indiana Market value estimate of an industrial lead track in west central Indiana.	August 2003 7.97 miles
Old Road, Louisville-to-Winchester, Kentucky Preliminary valuation of an active Class I rail corridor.	July 2003 89.5 miles
W&P; Pennsylvania Market valuation of an industrial lead track running from south Pittsburgh to Washington, PA.	June 2003

RMI MIDWEST: CHARLES W. REX III, MAI
PROJECTS & ASSIGNMENTS: RAIL CORRIDORS

Alabama Power; Lee County Valuation of an aerial easement crossing a Class I railroad corridor. Condemnation.	May 2003 33.55 miles
Alabama Power; Elmore County Valuation of an aerial easement crossing a Class I railroad corridor. Condemnation.	April 2003
Baldwin County Valuation of an aerial easement crossing a Class I railroad corridor. Condemnation.	April 2003
Etowah-to-Copperhill; Tennessee Consultation on the donation of an abandoned line for rails-to-trails.	April 2003 43.47 miles
Lake Subdivision; Indiana Market value estimate for a through-track in a heavy industrial area.	April 2003 4 miles
Blue Island; Illinois Consultation on an acquisition.	April 2003
Bridge; Clinton, Indiana Valuation of active railroad bridge.	February 2003
Alabama Power; St. Clair County Valuation of an aerial easement crossing a Class I railroad corridor. Condemnation.	February 2003
Nashville Electric Services Valuation consultation and estimate of corridor factor for an aerial taking over an industrial lead corridor in Nashville; valuation consultant in mediation	January 2003
Northwest Highway, northwest Cook County Condemnation for a portion of a corridor for highway expansion.	2002
New Jersey Transit Authority; northern New Jersey Valuation and negotiation consultation for the sale of several corridors or portions of corridors to a mass transit agency.	2002
Union Pacific v. Sante Fe Valuation of 1,800-mile lease of subsurface rights.	September 2002 1,800 miles
Blue Ridge Tunnel; Afton, Virginia Valuation consultation for active railroad tunnel.	September 2002
Perth Amboy Run Track; Middlesex, New Jersey Valuation for the sale of a railroad corridor.	September 2002
Crescent & Wedge Corridors; Washington, DC Valuation for potential sale of two corridor segments in urban area	June 2002

RMI MIDWEST: CHARLES W. REX III, MAI
PROJECTS & ASSIGNMENTS: RAIL CORRIDORS

Chicago-to-Detroit corridor Preliminary valuation of a main line corridor.	March 2002 260 miles
Loup Creek Branch; West Virginia Valuation for the sale of active and abandoned corridors.	March 2002 30± miles
PSEG; New Jersey Valuation of proposed underground easements for two 340-kv. generator feeds. Includes valuation of underground rights in a tunnel under the Palisades.	February 2002
Illinois/Indiana Line to Olin, Indiana Net liquidation value of inactive rail line for application for abandonment to STB.	January 2002 5.93 miles
High Line, Chelsea; New York City Valuation of an inactive rail line in lower Manhattan of an air rights corridor.	2001 2 miles
Weymouth industrial track; Quincy, Massachusetts Valuation and consultation for a corridor for sale to a mass transit agency.	2001
Chambersberg, Pennsylvania Consultation on the valuation of a rail corridor.	2001
International bridge Consulting for the purchase of a portion of a corridor from a Class I railroad.	2001
FED RR v Dade County, Florida Consulting on corridor factors for a condemnation taking from a smaller railroad.	2001
Downtown Orlando, Florida Valuation of an active, 2.5-mile, mainline corridor through Orlando's central business district. Partial taking.	2001 2.5 miles
Boylan Junction; Raleigh, North Carolina Valuation and negotiation consultation of an industrial lead corridor. Sale closed in June 2003.	2001 12± miles
Falstaff Brewery; Indiana Abandoned industrial property consisting of four parcels. Valuation for purchase negotiations to expand a rail yard.	2001
Short line railroad; New Castle, Indiana Across-the-fence valuation of railroad right-of-way.	February 2000 21.2 acres
Union Pacific property; Lake County, Illinois Valuation of part of a railroad corridor, using an across-the-fence method. Valuation of surface and aerial rights. To be used in sale negotiations.	January 2000 0.86 acre (37,638 square feet)

RMI MIDWEST: CHARLES W. REX III, MAI
PROJECTS & ASSIGNMENTS: RAIL CORRIDORS

TransFlo facility; 2721 161st St., Hammond, Indiana Valuation of site used for a material transfer facility (offloading of materials from railroad tank cars to tank trucks). Highest and best use issues involved specific industrial uses.	May 1999 15.9 acres
Lehigh Greenway Rail Trail: Flagler County, Florida Obsolete rail line abandoned since the 1950s; valued for possible purchase by the State of Florida. Multiple highest and best use issues due to variance of uses along the property's length (such as a utility corridor, public trail, additional land for residential lots, future development). Involved evaluation of worth of old track	April 1999 198.52 acres
B&OCT Connection: Commonwealth Edison property; Bridgeview, Illinois Valuation of vacant industrial property in for rail line easement; before-and-after valuation technique used. Analysis of south Chicagoland industrial market.	April 1999 0.28 acre
B&OCT Connection: 3M Property; Bridgeview, Illinois Valuation of vacant industrial property in for rail line easement; before-and-after valuation technique used. Analysis of south Chicagoland industrial market.	April 1999 0.41 acre
Cook County Forest Preserve Property; Riverdale, Illinois Valuation of property zoned both conservation/recreation and industrial for railroad line expansion.	March 1999 1.43 acres
Damen Ave. & 74th St., Chicago Proposed railroad right-of-way easement in older industrial area. Valuation followed Illinois condemnation law. Expert witness testimony	February 1999 0.71 acre
CTA property Valuation of industrial property for railroad line expansion	February 1999
UPS Parcel; Bedford Park, Illinois Valuation of vacant industrial site for railroad line expansion	November 1998 11.75 acres
South of Roosevelt Road, Chicago Update appraisal of vacant former rail yards; residential development highest & best use	February 1997 30+ acres
Porter County, Indiana Abandoned rail yard, with some mined areas on it. Valued for use in purchase negotiations.	August 1996
South of Roosevelt Road; Chicago Vacant former rail yards with a highest and best use as residential development.	February 1996 25 acres
North of Roosevelt Road; Chicago Vacant former rail yards with a highest and best use as residential development.	September 1995 5.6 acres

Attachment 3



APPRAISER CERTIFICATION AND LICENSURE BOARD
3000 Market Street NE, SUITE 541
SALEM, OREGON 97301

TEMPORARY PRACTICE REGISTRATION NUMBER: TNR1662

CHARLES W REX III
RMI MIDWEST
1200 CENTRAL AVE
WILMETTE IL 60091

POSSESSES A CURRENT AND VALID CERTIFICATE IN THE STATE OF

ILLINOIS
153-000785

AND HAS COMPLIED WITH THE REQUIREMENTS OF CHAPTER 674 AND CHAPTER 161 OF THE OREGON APPRAISER CERTIFICATION AND LICENSURE BOARD ADMINISTRATIVE RULES TO QUALIFY TO RECEIVE A TEMPORARY PRACTICE PERMIT TO OPERATE IN THE STATE OF OREGON IN THE CAPACITY OF A

STATE CERTIFIED GENERAL APPRAISER

YOU ARE AUTHORIZED TO APPRAISE THE FOLLOWING PROPERTIES WITHIN THE SCOPE OF THE ABOVE LICENSE LEVEL IN THE STATE OF OREGON FOR:

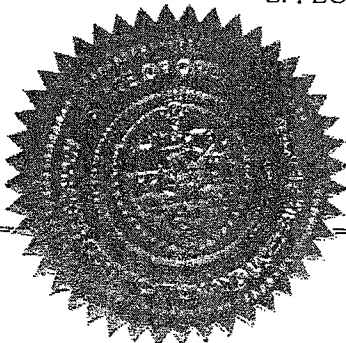
Client: RailAmerica INC

Properties:

111-mile rail corridor [known as "Coos Bay Line"]
in Lane, Douglas & Coos Counties.
[The line runs between Danebo [W Eugene] and Cordes, OR]

[See Attached Map]

EFFECTIVE THIS 2ND DAY OF MAY, 2008



R.A. (Bob) KEITH, ADMINISTRATOR
OREGON APPRAISER CERTIFICATION AND LICENSURE BOARD

CHAPMAN

BEFORE THE
SURFACE TRANSPORTATION BOARD

Central Oregon & Pacific Railroad, Inc. – Abandonment	)	
and Discontinuance of Service – in Coos, Douglas, and	)	Docket No. AB-515 (Sub-No. 2)
Lane Counties, Oregon (Coos Bay Rail Line)	)	
	)	

VERIFIED STATEMENT OF PATRICIA L. CHAPMAN

My name is Patricia L. Chapman. I am a partner in the law firm of Gleaves Swearingen Potter & Scott, a law firm located in Eugene, Oregon and established in 1924. My business address is 975 Oak Street, Suite 800, Eugene, Oregon 97401. I am currently a licensed member of the Oregon State Bar and of the California State Bar. I received a B.A. in Political Science from the University of California at Berkeley in 1979 (*summa cum laude* and Phi Beta Kappa) and a J.D. from the University of San Francisco in 1982. I have practiced law for approximately 25 years, in Oregon for approximately 20 of these years, and for much of that time I have been engaged in the practice of real estate law. I was a member of the Executive Committee of the Oregon State Bar's Real Estate and Land Use Section for several years and in 2006 served as the Chair of the Real Estate and Land Use Section of the Oregon State Bar.

The purpose of this Verified Statement is to explain the process undertaken by me and other attorneys in this firm under my supervision (referred to below as “we” or “us”), to determine whether fee title was conveyed to the Central Oregon & Pacific Railroad, Inc. (“CORP”) for the parcels comprising the portion of CORP’s “Coos Bay Subdivision” that is the subject of the abandonment portion of this abandonment and discontinuation application (“Abandonment Segment”).

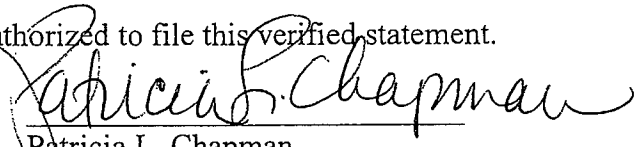
We reviewed CORP's Title Maps and the Schedules of Property noted on those Title Maps for each of the parcels comprising the Abandonment Segment (respectively, "Val Maps" and "Land Schedules"), as well as several hundred conveyance documents listed in the Land Schedules. Based on our review of those documents, and on our review and analysis of Oregon law pertaining to those documents and the nature of the title purported to be conveyed thereby, we determined which of those documents purported to convey fee title to the railroad grantee therein, which of those documents purported to grant an interest to the railroad grantee therein that was less than a fee title interest (such as a mere easement), and which of those documents purported to grant a fee interest to the railroad grantee therein that was subject to a public right of way or timber restriction. A summary of that review is set forth in the "CORP – Coos Bay Abandonment Segment Title Documents Summary" attached hereto as Attachment 1.

We also reviewed the spreadsheet entitled RailAmerica: CORP-Coos Bay Title Summary, which was prepared and provided to us by RMI Midwest (the appraisal firm that prepared the Report, Net Liquidation Value of The Coos Bay Line in Lane, Douglas, and Coos Counties, Oregon (June 15, 2008) for CORP in connection with the abandonment portion of this abandonment and discontinuance application) ("Appraiser's Summary"). A copy of the Appraiser's Summary is attached hereto as Attachment 2. Based on our review of the documents and our review and analysis of applicable Oregon law described in the preceding paragraph, we have advised RMI Midwest: (a) that fee title was conveyed to the railroad with respect to each enumerated parcel in the Appraiser's Summary with respect to which the word "Fee" appears in the Appraiser's Summary column entitled "Title Description," (b) of parcels comprising the Abandonment Segment with respect to which the documents reviewed by us purported to convey less than fee title to the railroad grantee therein or purported to convey fee title subject to public

rights of way or subject to timber reservations, and (c) of parcels comprising the Abandonment Segment that appear to be subject to a sovereign claim by the State of Oregon for lands lying below the mean ordinary high water mark of navigable waters.

VERIFICATION

I, Patricia L. Chapman, declare under penalty of perjury that the foregoing is true and correct. Further, I certify that I am qualified and authorized to file this verified statement.


Patricia L. Chapman

Executed on July 10, 2008

Attachment 1

REDACTED

Attachment 2

REDACTED

BADER

BEFORE THE
SURFACE TRANSPORTATION BOARD

Central Oregon & Pacific Railroad, Inc. – Abandonment	)	
and Discontinuance of Service – in Coos, Douglas, and	)	Docket No. AB-515 (Sub-No. 2)
Lane Counties, Oregon (Coos Bay Rail Line)	)	
	)	

VERIFIED STATEMENT OF MARC R. BADER

My name is Marc R. Bader. I am Chief Line Engineer, West Region, of RailAmerica, Inc (“RailAmerica”). My business address is 1100 Main Street, Suite 210, Woodland, California 95695. I am responsible for engineering and maintenance activities for eight regional and shortline railroads owned by RailAmerica and located along the West Coast of the United States, including Central Oregon & Pacific Railroad, Inc. (“CORP”). I graduated from Washington University in St. Louis Missouri in 1992 with a Bachelor of Science degree in civil engineering. Following graduation, I worked for Atchison, Topeka, and Santa Fe Railway and for Burlington Northern Santa Fe Railroad for approximately 11 years, in a variety of railroad engineering positions, including roadmaster, assistant division engineer and division engineer. I have been in my present position with RailAmerica for approximately five years.

The purpose of this Verified Statement is to present CORP’s estimate of the net liquidation value (“NLV”) of the track assets on the portion of the “Coos Bay Subdivision” that CORP seeks authority to abandon (that portion of the Coos Bay Line is referred to hereinafter as the “Abandonment Segment”). The Abandonment Segment extends approximately 94 miles on the Coos Bay Subdivision between Milepost 669 near Vaughn, OR and Milepost 763.13, near Cordes, OR.

Because of my position and responsibilities with RailAmerica, I am very familiar with the Abandonment Segment’s tracks and facilities. CORP’s estimate of the NLV of the track

assets on the Abandonment Segment was prepared under my supervision and at my direction.

The remainder of this statement describes the methodology used to estimate that NLV.

I. INVENTORY OF TRACK ASSETS

The first step in calculating the NLV of the track assets of the Abandonment Segment was to develop an inventory of those assets. CORP developed that inventory using a number of different methods and sources. CORP ran a track geometry car (which recorded rail profiles) over the entire main line to calculate the quantities of each weight of rail (90 pound through 136 pound) on the line. We used current track charts, in conjunction with the data generated by the geometry car, to calculate quantities of continuous welded rail and jointed rail.

We calculated the number of ties based upon the total mileage of track on the Abandonment Segment and an average of 3200 ties per track-mile. Based upon my familiarity with the line and records regarding the age of ties, I separated the ties into four quality categories (No. 1 relay, No. 2 relay, landscape, and scrap) for purposes of estimating their salvage value. I used a conservative approach to categorizing the age and quality of the ties, which means my estimate likely understates the liquidation value of the ties.

A CORP roadmaster conducted a field inspection of the entire line to determine the sizes and number of turnouts on the line. We also used roadmaster field inspections to verify the number of crossings, bridges, and signal appliances that could be removed from the Abandonment Segment. I compiled the estimated volume and attributes of track assets on the Abandonment Segment in an overall inventory, a copy of which is attached to this statement as Attachment 1.

II. OBJECTIVE THIRD-PARTY ESTIMATES OF LIQUIDATION VALUE

In order to develop an objective estimate the liquidation value of the line, I solicited commercial liquidation estimates from two experienced, reputable companies engaged in

removal, salvage, and disposal of railroad track assets, L.B. Foster Company (“Foster”) and Unitrac Railroad Materials, Inc (“Unitrac”). I provided each company with the track assets inventory for the Abandonment Segment (*see* Attachment 1), and requested that each provide an estimate of the net value of the track assets on the line (*i.e.*, the salvage value of the assets less the removal costs and other associated costs), based upon contemporaneous market values and costs.¹

In order to develop their NLV estimates, both Foster and Unitrac also conducted their own independent field inspections of the Abandonment Segment. I believe that net liquidation value estimates from two experienced, independent rail salvage companies provide a reliable, objective basis to calculate the net liquidation value of the Abandonment Segment rail assets.

Based on the track asset inventory provided by CORP and their field inspections, Unitrac and Foster each submitted estimates to CORP for the removal and salvage of those assets. *See* Foster Estimate (Attachment 2 hereto); Unitrac Estimate (Attachment 3 hereto). Although the two companies used somewhat different approaches, both of them generally calculated the current salvage value of the rail assets (based in part on current commodity prices); the costs of removing those assets, disposing of assets that could not be resold, and miscellaneous related costs; and both included a reasonable profit margin for the bidder. Based on those calculations, Foster and Unitrac each developed a final “all-in” estimate for the net value of removal and disposal of the rail assets of the Abandonment Segment. Unitrac labeled that final estimate number its “Net Bid Amount,” and Foster referred to its final estimate number as the “Net Liquidation Value.” *See* Attachments 2 and 3.

¹ One of the potential uses of the Abandonment Segment is as a unique land and water based recreational trail. *See* Environmental Report at 7 (June 24, 2008). If the Segment is to be used as a recreational trail after abandonment, the bridges would not be removed. Accordingly, the estimates do not include the NLV of the bridges on the Abandonment Segment.

III. CONCLUSION AND NET LIQUIDATION VALUE OF TRACK ASSETS

A. L.B. Foster Company Estimate

L.B. Foster estimated the gross liquidation value of the Abandonment Segment track assets at \$
See Attachment 2. L.B. Foster estimated total liquidation costs at \$
See *id.* The resulting NLV, as estimated by L.B. Foster, is \$15,151,308. *Id.*

B. Unitrac Estimate

Unitrac estimated the "Extended Value" that could be generated from the track material (sales price of salvaged materials less costs of shipping those materials less required profit) at \$
See Attachment 3. Unitrac deducted from its Extended Value estimate the cost of removal of the rail assets and miscellaneous costs to derive its "Net bid amount" of \$12,536,149. *See id.* This "net bid amount" represents Unitrac's estimate of the amount it would be willing to pay for the rail assets, *i.e.*, its independent estimate of the NLV of the fixed rail assets of the Abandonment Segment.

C. Average NLV

Based on my review of the two independent, objective third-party estimates, I determined that a reasonable way to estimate the NLV of the rail assets is to calculate the average of the high and low estimates submitted by Foster and Unitrac. The average of Foster's bid of \$15,151,308 and Unitrac's bid of \$12,536,149 is \$ 13,843,729. *See* Attachments 2 and 3. Thus, based on the analysis summarized in this statement, I have determined that a reasonable NLV for the track assets of the Abandonment Segment is \$13,843,729.

VERIFICATION

I, Marc Bader, declare under penalty of perjury that the foregoing is true and correct.

Further, I certify that I am qualified and authorized to file this verified statement.

Marc Bader
Marc Bader

Executed on July 8, 2008

Attachment 1

Liquidation Value of Railroad Asset

Central Oregon & Pacific Railroad - Coos Bay Sub MP 669.0 - 763.13

(Enter DATE)

Rail										
Weight	Jnt./CWR	Miles	NT/Mile	Total NT	Total GT	Class	Price NT	Price GT	Total \$ NT	Total \$ GT
90lb	jnt	4.51	145.73	657.23	586.82	scrap				
110lb	jnt	2.23	183.92	410.14	366.20	reroll				
113lb	jnt	11.92	182.97	2181.00	1947.32	scrap				
113lb	CWR	25.5	188.94	4817.87	4301.67	reroll				
115lb	CWR	35.55	192.28	6835.55	6103.17	relay				
119lb	jnt	0.09	198.97	17.91	15.99	reroll				
132lb	jnt	4.54	213.73	970.35	866.39	scrap				
132lb	CWR	5.03	220.70	1110.14	991.20	relay				
136lb	CWR	9.16	227.39	2082.91	1859.74	relay				
Totals		98.53		19083.11	17038.49			Total Rail Value		\$0

OTM										
Weight	Jnt./CWR	Miles	NT/Mile	Total NT	Total GT	Class	Price NT	Price GT	Total \$ NT	Total \$ GT
90lb	jnt	4.51	55.3	249.40	222.68	scrap				
110lb	jnt	2.23	57.0	127.11	113.49	relay				
113lb	jnt	11.92	84.0	1001.28	894.00	relay				
113lb	CWR	25.5	74.0	1887.00	1684.82	relay				
115lb	CWR	35.55	74.8	2659.14	2374.23	relay				
119lb	jnt	0.09	86.0	7.74	6.91	relay				
132lb	jnt	4.54	93.2	423.13	377.79	relay				
132lb	CWR	5.03	82.5	414.98	370.51	relay				
136lb	CWR	9.16	84.3	772.19	689.45	relay				
Totals		98.53		7541.964	6733.896429			Total OTM Value		\$0

Ties (Removal & Market)						Signal Appliances			
Class	%	Miles	Total Ties	Price Ea.	Total	Type	Quantity	Unit Price	Total
#1 Relay	15%	98.5	44338.5			Lights	2		
#2 Relay	0%	98.5				Gates	7		
Landscape	40%	98.5	118236			Total all Signals			
Scrap	45%	98.5	133015.5						\$0
Total Tie Value					\$0	Bridges	Lump		

Turnouts										
Weight	Type	Qty.	NT/TO	Total NT	Total GT	Class	Price EA	Price GT	Total \$ Each	Total \$ GT
80lb	#7	1	1.7	1.70	1.52	scrap				
90lb	#7		1.8			scrap				
90lb	#10	3	1.9	5.79	5.17	scrap				
110lb	#10		4.5			relay				
112lb	#10	22	4.5	99.44	88.79	scrap				
119lb	#10	3	4.5	13.56	12.11	relay				
132lb	#10	1	4.7	4.65	4.15	relay				
Totals		30		125.14	111.73					\$0

Liquidation Costs				
	Unit	Cost	Quantity	Total
Dismantle Rail (CWR)	NT		20165 NT	
Dismantle Rail (Jointed)	NT		5373 NT	
Transport Rail & OTM	NT		26750 NT	
Remove Ties	EA		295,590	
Remove Relay Turnouts	EA		30	
Remove Crossing Signal	EA		9	
Restore Crossings	EA		23	

Gross Liquidation Value	\$0
Total Liquidation Costs	\$0
Net Liquidation Value	\$0

7/11/2008

Attachment 2

LB Foster

Rail Products

1195 Salt Springs Road
Mineral Ridge, OH 44440
330.652.1465
330.652.7494 (Fax)

July 10, 2008

Mr. Alan Pettigrew
RailAmerica, Inc.
7411 Fullerton Street
Jacksonville, FL
32256

RE: Coos Bay Sub - Rail Line NLV

Dear Mr. Pettigrew:

L B Foster Co. performed a complete and thorough site inspection of the entire Coos Bay line from MP 669.0 to 763.13 inclusive.

Based on our site inspection and review of the line, we maintain that the values reflected in our NLV document (submitted as L B Foster Co. Coos Bay Sub NLV 6-9-08.XLS) are accurate, reflect current market conditions, and are a reasonable estimate of the current value of the line.

Please contact me should you have any questions.

Sincerely,



Rick Steininger
General Manager,
Relay Rail & Trackwork Divisions
L.B. Foster Company
Direct Dial: 330-652-1465 x15
Fax: 330-652-7494
Cell: 770-329-8332
Email: rsteininger@lbfoosterco.com

Offices and
Service Centers
Worldwide

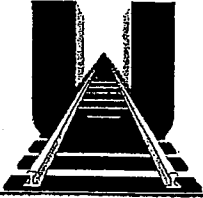
Rail & Track
Piling

Fabricated Products
Transit Products

1195 Salt Springs Road, Mineral Ridge, OH 44440

REDACTED

Attachment 3



Unitrac Railroad Materials, Inc.

(865) 693-9061
Fax (865) 693-9161

Post Office Box 7098 • Knoxville, Tennessee 37921
An Equal Opportunity Employer

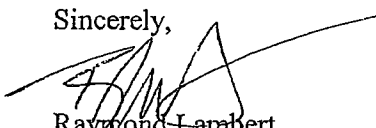
July 10, 2008

Mr. Alan Pettigrew
Rail America
7411 Fullerton Street, Suite 300
Jacksonville, FL 32256
RE: Coos Bay Line

Dear Mr. Pettigrew,

Unitrac Railroad Materials offers the attached Net Liquidated Valuation (NLV) after a thorough on site inspection and review of the Coos Bay Line. Our offer is based on current market conditions and is a reasonable estimate of the current market value of the line. Please do not hesitate to call if you have any questions or need any further clarification.

Sincerely,


Raymond Lambert
President
Unitrac Railroad Materials



A division of Healey Railroad Corporation.
www.railsources.com

REDACTED

WILLIAMS

**BEFORE THE
SURFACE TRANSPORTATION BOARD**

Central Oregon & Pacific Railroad, Inc. – Abandonment	)	
and Discontinuance of Service – in Coos, Douglas, and	)	Docket No. AB-515 (Sub-No. 2)
Lane Counties, Oregon (Coos Bay Rail Line)	)	
	)	

VERIFIED STATEMENT OF JOHN H. WILLIAMS

My name is John H. Williams. I am President of The Woodside Consulting Group, Inc., a firm that specializes in railroad transportation consulting. My business address is 385 Sherman Avenue, Suite 1, Palo Alto, California 94306. I am also President of the Northwestern Pacific Railroad Company, a short line railroad in Northern California. I have almost 45 years of experience in the railroad industry and consulting, including 17 years with the Southern Pacific Transportation Company (“SP”), the prior owner of the rail line proposed for abandonment in this proceeding. As discussed more fully in the summary of my qualifications and experience set forth in Attachment A, as Manager of SP’s Bureau of Transportation Research, I regularly conducted revenue, cost and profitability analyses of the Coos Bay Subdivision and of the principal commodities that it handled, particularly lumber and other wood products. My duties at SP also included field inspections of the Coos Bay Subdivision and other SP lines in Oregon, as well as yard and train operations in and through SP’s terminal at Eugene, OR. I have presented traffic diversion studies, market impact analyses and testimony relating to competitive issues before the Surface Transportation Board (the “Board”) and its predecessor, the Interstate Commerce Commission (“ICC”) in a variety of other proceedings.

The purpose of this Verified Statement is twofold. Part I discusses the decline in rail traffic on the Central Oregon & Pacific Railroad, Inc.’s (“CORP’s”) Coos Bay Subdivision in

recent years.¹ As my testimony demonstrates, the limited number of rail shippers served by the Coos Bay Subdivision, and the downward trend in rail usage by most of those shippers in recent years, make it highly unlikely that traffic on the line will grow to a level that can sustain profitable operations by CORP in the foreseeable future. Part II of my Verified Statement assesses the transportation options available to rail shippers and receivers on the Coos Bay Subdivision following the proposed abandonment and discontinuance of service. As Part II shows, customers served by the Coos Bay Subdivision today have access to adequate transportation service alternatives. In particular, traffic moving by rail today to/from points on the Coos Bay Subdivision can be handled efficiently either in direct truck service, or in truck-rail transload service via one of several rail transload facilities. The feasibility of these alternatives is demonstrated by the fact that shippers are actually exercising such transportation options today because the Coos Bay Subdivision has been embargoed by CORP since September 21, 2007. As described below, I estimate that a shift to direct truck service or truck-rail transload service will increase shippers' annual transportation costs by an average of approximately 11 percent. Such an increase is not unreasonable, particularly when viewed in comparison to the large subsidy that would be required to permit rehabilitation and continued operation of the line by CORP under the Board's Offer of Financial Assistance ("OFA") procedures.

¹ This Application seeks authority both to abandon the portion of the Coos Bay Subdivision that is owned by CORP between Milepost 669.0 near Vaughn, OR and Milepost 763.13 near Cordes, OR, a distance of 94.13 miles (the "Abandonment Segment"), and authority to discontinue service over the portions of the Coos Bay Subdivision that are leased by CORP, including (1) the Coquille Branch between Milepost 763.13 near Cordes, OR and Milepost 785.5 near Coquille, OR, a distance of 22.37 miles, which is leased from Union Pacific Railroad Company ("UP"); and (2) the LPN Branch between CORP Milepost 738.8 and LPN Branch Milepost 2.0, a distance of 2.0 miles, which is leased from Longview, Portland & Northern Railway Company ("LPN") (the "Discontinuance Segment"). For convenience, I will refer to the Abandonment Segment and the Discontinuance Segment collectively as the "Coos Bay Subdivision."

I. TRAFFIC ON THE COOS BAY SUBDIVISION HAS BEEN DECLINING.

As witness Lundberg testifies, in 2004 a major shipper on the Coos Bay Subdivision, Weyerhaeuser Corporation, ceased operations at its paper manufacturing plant at Cordes, OR. The Weyerhaeuser facility had generated approximately 3,000 carloads of rail traffic for CORP per year. The loss of that traffic was responsible for a 29 percent decline in overall traffic on the Coos Bay Subdivision, from 7,574 carloads in 2003 to 5,408 carloads in 2004. Traffic volume on the line has continued to exhibit a downward trend, with total volumes of 5,193 carloads in 2005, 5,363 carloads in 2006 and 4,018 carloads in 2007 (through the date of the embargo). As Attachment B shows, the small increase in traffic from 2005 to 2006 was attributable to new business from Southport Forest Products, which began shipping traffic from a facility located on the newly-constructed North Spit Spur, which opened in 2005. However, Attachment B also indicates that traffic from Southport Forest Products declined in the Base Year. In any event, the modest traffic generated by the North Spit Spur project has not been nearly enough to offset the loss of Weyerhaeuser's business. The total number of carloads moving over the line during the Base Year (September 1, 2006 – August 31, 2007), the latest twelve-month period during which the line was open, was 4,773 carloads. This represents a decline of 11 percent since 2006, and 37 percent since 2003. *See* Attachment B.

This downward trend in rail shipments has occurred for most of the shippers on the Coos Bay Subdivision. Georgia Pacific Corporation, by far the largest shipper on the line, shipped [] cars during 2005, but only [] cars in 2006 and [] cars during the Base Year. The traffic of Roseburg Forest Products increased somewhat from [] cars to [] from 2005 to 2006, but declined to [] cars during the Base Year. *See* Attachment B. Rail shipments by each of the other customers that shipped more than 100 cars in 2005 fell precipitously. American Bridge Manufacturing Corporation's traffic declined from [] cars in 2005 to only

[] cars during 2006 and [] cars during the Base Year. Durawood Treating Company's traffic declined from [] cars in 2005 to [] cars in 2006 and 70 cars during the Base Year. Thomas & Sons, which shipped [] carloads in 2005, shipped only [] in each of 2006 and the Base Year. As these figures graphically demonstrate, the Coos Bay Subdivision has experienced a substantial and ongoing decline in traffic across virtually all customers.

Based upon current circumstances, it does not appear likely that CORP can attract sufficient new business from other sources to offset these traffic losses. The two largest rail shippers on the Coos Bay Subdivision, Georgia Pacific and Roseburg Forest Products, collectively account for approximately [] percent of all rail shipments moving over the line in the Base Year. *See* Attachment B. Only one other customer ([]) currently ships more than 100 carloads per year. Nor does the Coos Bay Subdivision enjoy significant traffic diversification from a commodity standpoint. To the contrary, lumber and forest products accounted for 97 percent of all traffic that moved over the Coos Bay Subdivision during the Base Year. *See* Attachment C. Further, rail traffic on the Coos Bay Subdivision is highly concentrated at two stations, Coos Bay and Coquille, both of which are located near the southern end of the line. Indeed, in 2007, 96 percent of all carloads moving over the line originated or terminated at Coos Bay or Coquille. *See* Attachment D. Other stations along the 119.5 miles of rail lines that are the subject of this Application do not generate sustained rail traffic. Finally, the destination markets for products originating on the Coos Bay Subdivision have been limited, with 85 percent of total outbound traffic moving to three states, California, Oregon and Illinois. *See* Attachment E.

II. SHIPPERS ON THE COOS BAY SUBDIVISION HAVE ADEQUATE TRANSPORTATION ALTERNATIVES FOR THEIR SHIPMENTS.

CORP asked me to assess the transportation options that would be available to shippers on the Coos Bay Subdivision following the proposed abandonment/discontinuance of service. In order to do so, I analyzed the feasibility of transporting the traffic that currently moves via the Coos Bay Subdivision either directly by truck, or by truck-rail transload via a rail station beyond the line proposed for abandonment. As this Part of my testimony shows, it appears that virtually all of the traffic that CORP previously handled over the Coos Bay Subdivision can readily be diverted to truck or (for most of the subject traffic) to truck-rail transload service. I estimate that the cost of utilizing truck-direct or truck-rail transload service is, on average, 11 percent higher than the rail rates that Coos Bay Subdivision shippers were paying for direct CORP-UP rail service prior to the embargo of the line. The viability of truck-rail transload service is demonstrated by the fact that most shippers appear to be utilizing such service today.

A. Traffic Handled by CORP Via The Coos Bay Subdivision Can Be Shifted To Truck-Direct Or Truck-Rail Transload Service.

The response of shippers located along the Coos Bay Subdivision to the September 2007 embargo of the line demonstrates that reasonable transportation options are available for traffic previously handled by CORP. My investigation, in consultation with CORP marketing personnel, found that shippers presently are either shipping (or receiving) their products directly by truck, or are transloading their products at rail facilities located beyond the Coos Bay Subdivision.

As Attachment C indicates, the vast majority (nearly 97 percent in the Base Year) of all rail shipments on the Coos Bay Subdivision involve lumber, plywood and other forest products. These commodities are clearly susceptible to transportation by truck – indeed, railroads face vigorous competition from motor carriers for forest products shipments. The other commodities

in the Coos Bay Subdivision's traffic base (farm products, metal products, scrap and liquefied petroleum gas) can likewise move by truck.

Moreover, there exists an adequate supply of trucks in CORP's service territory to absorb the traffic that previously moved over the Coos Bay Subdivision. There are numerous large and small trucking companies operating in Oregon. The Oregon Trucking Association website alone lists 57 different trucking companies that haul forest products and 48 that handle heavy loads. Based upon my investigation, it appears that shippers on the Coos Bay Subdivision have, in fact, been able to secure truck service to move their products either directly between origin and destination, or to/from a truck-rail transload facility.

Given current fuel prices, direct truck service is most cost-effective vis-à-vis rail service for forest products shipments of up to 300 miles. Accordingly, for shipments of 300 miles or less previously handled by CORP (all of which are movements entirely within the State of Oregon), my analysis assumed that the preferred alternative is direct truck service. As shown in Attachment F, such shipments constituted approximately 1,103 carloads, or 23 percent of CORP's traffic in the Base Year. For traffic involving lengths of haul greater than 300 miles, I assumed that truck-rail service via a transload facility is likely to be the most efficient alternative to direct CORP-UP rail service. As shown in Attachment F, such shipments constituted approximately 3,670 carloads, or 77 percent of CORP's traffic in the Base Year. Traffic that is not conducive to direct truck shipment can readily be transloaded from truck to rail (or vice versa) at a number of existing transload facilities. For example, UP has transload facilities at Eugene, OR that would be suitable for transferring Coos Bay Subdivision traffic to/from UP's lines. CORP itself has a reload facility at Green, OR (near Roseburg, OR). Team tracks that could be used for transloading are available at other stations on CORP (Medford and Roseburg),

UP (Eugene), and PNWR/BNSF (Eugene). In addition, based upon information provided by CORP marketing personnel, it appears that Roseburg Forest Products is moving shipments by truck from its facility at Coquille, OR to another Roseburg-owned facility located at Dillard, OR, for shipment by rail in conjunction with products originating at the Dillard plant. Another shipper, American Bridge Manufacturing, Inc., indicated in recent testimony in a related proceeding that it is currently transloading both inbound and outbound bridge components via Portland, OR.²

As stated above, approximately 96 percent of all carloads that moved over the Coos Bay Subdivision during 2007 originated or terminated at either Coos Bay or Coquille. Coos Bay and Coquille are 118 and 135 miles, respectively, from Eugene, OR. Coquille (the origin of Roseburg Forest Products' traffic) is 61 highway miles from Roseburg's facility at Dillard, OR. Eugene can be reached by truck from both Coos Bay and Coquille via the US-101 Coast Route and Oregon State Highway 126. Highway routes are likewise available for truck shipments from Reedsport (via Scottsburg, OR) or Coquille (via Myrtle Point, OR) to CORP's transload facility at Green, OR, or to the Roseburg Forest Products plant at Dillard, OR. These highway routes could also be used to reach US I-5 for direct truck shipments to or from points in California and Arizona.

B. Traffic Previously Handled Via The Coos Bay Subdivision Can Be Shifted To Truck-Direct Or Truck-Rail Transload Service At Reasonable Cost.

Following the embargo of the Coos Bay Subdivision in September 2007, shippers who had been utilizing CORP-UP rail service were required to switch to alternate transportation services. Based upon my investigation, and information provided by CORP marketing personnel, it appears that most of the traffic that was previously carried by CORP is currently

² See Finance Docket No. 35130, *Central Oregon & Pacific R. Inc. -- Coos Bay Line*, Coos-Siskyou Shippers Coalition Reply filed June 3, 2008 (V.S. Jacquet at 1).

moving in truck-rail transload service, and that the transload facility most frequently used for this traffic is UP's transload facility at Eugene, OR.

I was asked by CORP to estimate the additional costs that shippers on the Coos Bay Subdivision are incurring by utilizing truck-direct or truck-rail transload service today (and would continue to incur if the proposed abandonment/discontinuance were approved). As this Part of my testimony demonstrates, I estimate that exercising the truck-rail transload or truck-direct alternatives will impose additional costs on shippers of about \$2.9 million in the aggregate for the year 2008. This represents an increase of 11 percent over the total transportation costs of \$25.9 million that Coos Bay Subdivision shippers would have paid for direct CORP-UP rail service in 2008 if rail operations on the Coos Bay Subdivision had not been interrupted.

The methodology that I used to estimate the cost of truck-direct or truck-rail transload service was as follows:

First, I sought to determine the costs that Coos Bay Subdivision shippers would incur today for direct CORP-UP rail service if such service were available to them. The appropriate measure of the cost of such direct rail transportation is the amount that shippers would have paid UP for rail service from origin to destination. As witness Lundberg explains, under a Cooperative Marketing Agreement ("CMA") between CORP and UP, CORP handles all traffic (other than a limited number of local movements in which UP is not involved) as a "switching carrier" for UP. Under this arrangement, traffic moves under a UP waybill, and UP sets (and collects) the rate for the movement, including the portion over CORP's lines. UP pays CORP a flat "Handling Carrier Charge" for each loaded car that it handles over the Coos Bay Subdivision for UP's account. However, it is the freight rate paid by the shipper to UP – not the "Handling

Carrier Charge” that UP pays to CORP – that reflects the cost to the shipper of rail service over the Coos Bay Subdivision.

Because CORP does not appear on the waybill, nor does it participate directly in the waybill revenue for traffic that it handles for UP (which is paid by the shipper to UP), CORP does not maintain in the normal course of business traffic data indicating, for each shipment, the ultimate origin or destination beyond CORP’s lines. In order to identify the ultimate origin or destination of the traffic, I relied primarily on the Board’s *Carload Waybill Sample* for 2006 (the most recent year for which waybill data are available). I augmented the traffic contained in the *Carload Waybill Sample* by adding certain shipments from the CORP database that did not appear in the *Carload Waybill Sample* but were known to be recurring movements (such as the Georgia Pacific woodchip movement from Coos Bay to Toledo). In conducting my analysis, I assumed that the origins and destinations beyond CORP’s lines reflected in the 2006 *Carload Waybill Sample* (as augmented) are generally representative of the origins and destinations of the traffic handled by CORP during the Base Year.

Second, I determined the freight revenues that shippers would pay for CORP-UP direct rail service to or from the Coos Bay Subdivision, if such service were currently available. In order to do so, I consulted applicable price quotations for shipments of the subject commodities to/from points on the Coos Bay Subdivision as published on UP’s website. Although rail service on the Coos Bay Subdivision has been embargoed since September 2007, UP has maintained rates for shipments to/from the Coos Bay Subdivision on its website. I confirmed with UP that the rates set forth on its website continue to be valid, and represent the rates that would be charged by UP today for CORP-UP direct rail service if the line were not subject to the embargo. I identified the currently applicable rate for each CORP-UP movement that occurred during the

Base Year. To each rate I added the current (June 2008) applicable UP fuel surcharge. Based upon this methodology, I calculated that the aggregate freight charges that Coos Bay Subdivision shippers would pay for direct CORP-UP rail service during 2008 (if such service were available) would be approximately \$25.9 million.

Third, I judged whether each rail movement originating or terminating on the Coos Bay Subdivision during the Base Year could be most efficiently handled in direct truck service or via truck-rail transload service. As stated above, for shipments of 300 miles or less my analysis assumed that the preferred alternative is direct truck service. For traffic involving lengths of haul greater than 300 miles, I assumed that truck-rail service via a transload facility is likely to be the most efficient alternative to direct CORP-UP rail service. For each movement assumed to shift to truck-rail transload service, I determined (based upon the origin/destination point on the Coos Bay Subdivision and available information about the transload options currently used by certain shippers) which transload location (Eugene, Portland, Roseburg, Green or Dillard, OR) offered the most efficient transportation option.

Fourth, I determined the freight revenues that shippers would pay for rail service to/from the transload point assigned to each movement that was assumed to shift to truck-rail transload service. In order to do so, I again consulted UP's price quotations for shipments of the subject commodities between the transload point and the origin/destination point beyond CORP's lines, as published on UP's website. To each rate I added the current applicable UP fuel surcharge. Those rates (plus the applicable fuel surcharge) represent the current cost of the rail component of the truck-rail transload option. Based upon this methodology, I calculated that the aggregate freight revenues that Coos Bay Subdivision shippers would pay to UP for rail service between the selected transload stations and the origin (or destination) stations beyond CORP's Lines

during 2008 would be approximately \$21.0 million. Thus, the aggregate cost of the rail component of substitute truck-rail service was estimated to be approximately \$4.9 million less than the cost of CORP-UP direct rail service to or from the Coos Bay Subdivision.

Fifth, I developed the cost of transloading shipments from truck to rail (or vice versa) at the selected transload stations (Eugene, Portland, Roseburg, Green or Dillard, OR). A&M Reload, Inc. provides transload services at UP's Eugene facility. This transload facility is within easy driving distance of stations on the Coos Bay Subdivision. I estimated the cost of A&M Reload's transloading services by comparing UP's current quoted rates to various destinations for shipments reloaded at Eugene with UP's current quoted rates for traffic originating at Eugene that does not require transload service. The difference between the two prices quoted by UP indicates that the cost of transloading traffic via the A&M Reload facility is \$247 per boxcar (four truckloads) and \$260 per rail flatcar (four truckloads).

CORP has a spur track at Green, OR (near Roseburg, OR) that it has made available for transloading shipments since the embargo of the Coos Bay Subdivision was put in place. CORP makes this facility available to Coos Bay Subdivision shippers at no charge, although shippers are responsible for providing their own transload labor and equipment. CORP offers customers a \$200 per railcar incentive for using this transload facility. In estimating the cost to the shippers of transloading freight via CORP's Green facility (or at Portland, Roseburg or Dillard), I applied the same transload charges (\$247 per boxcar and \$260 per rail flatcar) that I calculated for transloading via A&M Reload's facility at Eugene.

Sixth, I estimated the cost of the trucking component of both the truck-direct and truck-rail transload options. Truck costs to/from Coos Bay Subdivision customer facilities were calculated utilizing an internal truck costing model, supported by information provided by the

CORP Marketing Department. My truck cost calculations took into account current fuel, labor, maintenance and equipment costs for transporting shipments over the road between each Coos Bay Subdivision origin (or destination) station, on the one hand, and either (1) the point of destination (or origin) for direct truck shipments, or (2) the designated transload station for shipments moving in truck-rail transload service. Based upon these factors, the model calculated truck costs ranging between \$3.48 and \$3.90 per loaded mile for the subject movements. For purposes of my analysis, I assumed that each loaded rail car would require four loaded trucks. I further assumed that trucks handling traffic to/from points on the Coos Bay Subdivision would experience a 100 percent empty return ratio. The latter assumption is conservative, given the nature of the traffic. As stated above, almost 97 percent of the traffic that originates or terminates on the Coos Bay Subdivision consists of lumber, plywood and other forest products. These commodities all can move on standard flatbed trucks. In addition to the traffic formerly handled by CORP, there are substantial volumes of forest products moving by truck to/from other points in CORP's service territory. Thus, it is quite possible (if not likely) that trucking companies would be able to balance loads to/from former CORP customers with forest products shipments for other customers. Such backhaul (or triangulated) movements could significantly reduce the truck costs assumed in my analysis based upon a 100 percent empty return.

Using the methodology described above, I calculated the total increase in transportation costs for all Coos Bay Subdivision shippers that would result from switching from CORP-UP direct rail service to truck-direct service or to truck-rail transload service via Eugene, Portland, Roseburg, Green or Dillard (as applicable). The estimated cost of truck-rail transload service is the sum of the rail rate to/from the transload station, the cost of transloading shipments between

truck and rail, and the cost of transporting the shipment by truck between the transload station and the origin/destination point on the Coos Bay Subdivision.

The results of my analysis are set forth in Attachment F, and are summarized in Table 1 below:

Table 1
Estimated Increase in Shipper Transportation Costs
(Millions)

Branch Closed

Direct Truck and Truck-Rail Transload Costs	\$6.9
Reload Costs	0.9
Rail Costs	<u>21.0</u>
Total	\$28.8

Branch Open

2008 Rail Costs	\$25.9
Net Increase in Costs	\$2.9
Percent Increase	11%

Source: Attachment F

As shown in Table 1 above, I estimate that shippers on the Coos Bay Subdivision collectively are experiencing an increase of approximately \$2.9 million, or 11 percent, annually because of the higher cost of the truck-direct or truck-rail transload transportation options that they have been required to use as a result of the cessation of rail operations on the Coos Bay Subdivision. Such an increase is not unreasonable, particularly when compared with the high cost of rehabilitating the Coos Bay Branch and returning it to rail service.

Finally, it appears that the two largest shippers on the Coos Bay Subdivision also have the potential ability to shift production from facilities affected by the proposed abandonment to other nearby facilities. Georgia Pacific, which accounts for about [] percent of all rail traffic that moved on the Coos Bay Subdivision during the Base Year, is a major international

corporation with over 300 manufacturing facilities worldwide. *See*

<http://www.gp.com/aboutus/companyOverview/index.html>. Thirteen Georgia Pacific facilities are located in the state of Oregon, including a softwood sawmill in Philomath, OR that is similar to Georgia Pacific's Coos Bay sawmill. *See*

http://gp.com/facilitydirectory/pdf/oregon_q4_2007.pdf. The Philomath facility is served by the Portland & Western Railroad. Similarly, Roseburg Forest Products, which accounted for about [] percent of all rail traffic that moved on the Coos Bay Subdivision during the Base Year, operates several facilities in Oregon in addition to its Coquille facility. Roseburg's other facilities include plywood production facilities at Dillard and Riddle, OR (both of which are served by CORP lines that are unaffected by the proposed abandonment). *See*

http://teamrfpco.com/cgi-bin/s-mart.pl?command=showhtml&page=product_map.htm. These shippers – who collectively account for approximately [] percent of all rail traffic on the lines proposed for abandonment – may well be able to mitigate the effects of the proposed abandonment by shifting production from plants located on the Coos Bay Subdivision to other facilities in the State of Oregon or, in the case of Georgia Pacific, in other states.

VERIFICATION

I, John Williams, declare under penalty of perjury that the foregoing is true and correct.

Further, I certify that I am qualified and authorized to file this verified statement.

John H. Williams
John Williams

Executed on July 10, 2008

Attachment A

Attachment A

Qualifications of John H. Williams

I am President of The Woodside Consulting Group, Inc., 385 Sherman Ave., Suite 1, Palo Alto, California 94306, a firm that specializes in railroad transportation consulting. I am also President of the Northwestern Pacific Railroad Company, a start-up railroad short line in Northern California.

I was educated at the University of Illinois, where I received an A.B. in Liberal Arts and Sciences in 1962, with a major in economics, and an M.B.A. in 1963, with finance as my area of specialization; my educational training included courses in these fields as well as in marketing and operations. Although transportation was not a recognized area of emphasis for either degree, that was my interest throughout college; as a result, I completed almost every transportation course, either in the College of Commerce and Business Administration or in the Department of Civil Engineering, offered by Professors D. Philip Locklin (transportation economics), W. W. Hay (railway engineering), and K. U. Flood (distribution).

In 1963, I joined the Southern Pacific Transportation Company as a Transportation Analyst in the Bureau of Transportation Research. Following a year of introductory training, I was transferred to the Total Operations Processing System ("TOPS") project, which was responsible for designing and obtaining the adoption of a real-time, computerized information system for planning, controlling, and evaluating railroad operations. This was a pioneering project in computerized management and control of railroads, which was subsequently adopted by numerous other carriers.

In 1966, I joined the Operating Department of Southern Pacific, working initially as a brakeman on the Western Division and subsequently as an Assistant Trainmaster in El Centro, California. In early 1967, I was promoted to Trainmaster at Lordsburg, New Mexico, where I was responsible for supervising train operations over some three hundred miles of Southern Pacific's main line track, plus branch lines, between Tucson and El Paso.

In 1968, I was granted a three-year leave of absence to join the Department of Transportation's newly formed Federal Railroad Administration in Washington, D.C. As a Transportation Specialist in the Office of Policy and Planning, I provided economic and operational analyses, and evaluated, proposed, and assisted in the development of various public policies affecting the railroads. I specialized in rail network restructuring (where I developed FRA's first rail network model) and mergers, freight car supply, and other rail operational issues, in addition to formulating FRA's economic research and development program. During that time, I also represented FRA as a member of Assistant Secretary Charles D. Baker's interdepartmental team which proposed deregulation of the railroads; many of the concepts and policies that we debated then have now been implemented through the 4-R Act, the Staggers Act, and through subsequent Interstate Commerce Commission and Surface Transportation Board initiatives.

In 1972, I returned to Southern Pacific as a Special Assistant in the Executive Department, with responsibility for coordinating the preparation of Southern Pacific Company's corporate ten-year financial plan. Later that year, I was promoted to Manager of the Bureau of Transportation Research, the organization in which I began my railroad career in 1963. In that capacity, I managed a staff of some twenty individuals, reporting directly to the senior executive management of Southern Pacific. We were responsible for analyses of commodity and route profitability, cost-of-service calculations, evaluations of possible line abandonments, and analyses of prospective investments and

acquisitions – both railroad and non-railroad. In addition, we were responsible for presentations before regulatory authorities; I appeared before the Interstate Commerce Commission on several such issues.

In late 1977, I was promoted to the position of Assistant to the Vice President in the Executive Department of Southern Pacific. In that position, I managed the Office of Special Projects, which was created in order to permit me to concentrate on those matters of particular importance to the senior executive management of Southern Pacific. At that time, those special projects included Southern Pacific's prospective acquisitions of the Chicago, Rock Island & Pacific's Tucumcari Line and of the Seaboard Coast Line System – the latter now being a part of CSXT.

In August 1980, I left Southern Pacific to become Assistant Vice President – Strategic Analysis for Consolidated Rail Corporation in Philadelphia. I reported directly to the Chairman, Mr. Edward G. Jordan, and my responsibilities continued to be focused in the mergers and acquisitions area. I directed the preparation of Conrail's position on the Norfolk Southern merger – and testified before the Interstate Commerce Commission in that case – as well as the preparation of Conrail's merger studies and policy position in the Union Pacific/Missouri Pacific/Western Pacific merger case. In both instances, I participated in the negotiated settlements that resulted. I was also responsible for designing and evaluating structural alternatives to Conrail as a corporate entity.

In late 1981, I returned to San Francisco as Vice President/Land Transportation of Manalytics, Inc., a transportation consulting firm. There, I was responsible for the business development and conduct of land transportation activities.

In October 1983, I became President of The Woodside Consulting Group, Inc. In this capacity, I am responsible for all of the business conduct and policy decisions of our firm. We offer a broad range of transportation consulting services, both to public agencies and private sector clients, dealing primarily with railroad transportation issues.

In March 1985, representing both the California Public Utilities Commission (CPUC) and the California Department of Transportation, I presented testimony before the Interstate Commerce Commission in the proposed Southern Pacific/Santa Fe merger proceeding. My testimony – which was cited in the Commission’s *Decision* – analyzed the market impacts of that proposed merger on California and its shippers, and recommended the imposition of conditions in order to mitigate the anticompetitive effects of that merger, as proposed.

In October 1985, representing the Chicago & North Western Transportation Company, I presented testimony to the Interstate Commerce Commission in support of that carrier’s application for the construction and operation of a line extension into the Powder River Basin in order to introduce rail competition to Burlington Northern in that important market.

In May 1988, representing the Kansas City Southern, I presented testimony before the Interstate Commerce Commission, including a substantial portion of the required Exhibit 12 – Market Impact Analysis, in support of that carrier’s application for control of the Southern Pacific Transportation Company. My testimony analyzed the market impacts of a consolidated Kansas City Southern/Southern Pacific System on shippers, competition, efficiency, and other carriers. I also submitted testimony in opposition to the proposed Denver and Rio Grande Western/Southern Pacific combination, in which I characterized those applicants’ Exhibit 12 – Market Impact Analysis as being unrealistic in the marketplace.

During 1996, I provided consulting advice and analyses to the CPUC with regard to the Union Pacific's proposed acquisition of Southern Pacific. My recommendations toward ensuring the preservation of adequate and effective competition were included in the CPUC's presentation to this Board.

In June 1997, representing the Norfolk Southern Railway Company, I presented testimony before the Surface Transportation Board as to the results of a Rail Traffic Diversion Study concerning the likely impacts of the operation by Norfolk Southern of Conrail's Penn Lines on the traffic and revenues of affected railroads. The Board accepted the results of that Study in its Decision approving the Conrail Transaction. Subsequently, I was involved in many aspects of the transition to Norfolk Southern of the Penn Lines' portion of Conrail's commercial functions.

In October 1998, representing the Norfolk Southern Railway Company, I presented Market Impact Study testimony before the Surface Transportation Board as to the effects on Norfolk Southern of the proposed consolidation of the Canadian National Railway System and the Illinois Central Railroad System. My Study addressed probable traffic volumes and train and traffic volumes on routes and at locations important to Norfolk Southern.

As a part of our consulting practice during the past two decades, The Woodside Consulting Group has undertaken more than three dozen regional railroad analyses, including due diligence studies, the preparation of Business Plans, and assessments of the operating entities when the Business Plans were not being met. Included among the railroads we have studied are MidSouth Rail Corporation, Paducah & Louisville Railways, Inc., Dakota, Minnesota & Eastern Railroad Corporation, and Montana Rail Link. For each such analysis, my responsibility has been either to prepare a marketing

plan or to evaluate whether the marketing plan being presented was realistic. I also served, on a part-time basis, as Chairman of the Board of Directors of the Dakota, Minnesota & Eastern Railroad Corporation, from early 1992 through November 1993.

During my forty-four year career at Southern Pacific, Conrail, the Federal Railroad Administration, Manalytics, and The Woodside Consulting Group, my work has required me to consider many aspects of railroading, including marketing, operations, finance, economics, planning and public policy. At FRA, the economic research and development program I developed included marketing studies of grain and perishable produce. At Southern Pacific, I conducted and directed numerous marketing studies of both deficit and highly profitable railroad commodities (including lumber, wood chip, automotive, chemical, intermodal, perishable, sugar beet, and iron ore traffic), as well as of competing modes. At the higher corporate levels my positions entailed beginning in 1972, the types of work for which I was responsible required me to consider all aspects of railroading, including the three basic functional areas of marketing, finance, and operations. As a consultant, I have provided services to clients encompassing most aspects of railroading – including primarily mergers and strategic planning, marketing, finance, operations, economics, and public policy.

Attachment B

Attachment B
Trends in Coos Bay Branch Traffic by Shipper

Customer Name	Year			Base Year
	2005	2006	2007	
AMERICAN BRIDGE MANUF. CORP				
AMERICAN LAMINATORS				
AMERIGAS				
COOS HEAD FOREST PRODUCTS				
D R JOHNSON LBR CO.				
DANISH DAIRY				
DOUGLAS CO FARM COOP (CENEX)				
DOUGLAS COUNTY FOREST PROD				
DURAWOOD TREATING COMPANY				
FERRELL GAS, INC				
GEORGIA PACIFIC				
GRANGE COOP SUPPLY (CENEX)				
JOSEPH SIMON				
MAMMOET USA INC.				
MENASHA				
OCEAN TERMINALS COMPANY				
PORT OF COOS BAY				
ROSEBURG FOREST PRODUCTS				
SCHNITZER STEEL				
SOUTH COAST LUMBER COMPANY				
SOUTHPORT FOREST PRODUCTS				
STATON COMPANIES				
THOMAS & SONS TRANSPORT SYS				
WESTWOOD LUMBER				
WEYERHAUSER				
XINTERCHANGE CORP				
ALL OTHER				
Grand Total	5,193	5,363	4,018	4,773
Change, Base Year vs. 2005				-8%
Change, Base Year vs. 2006				-11%

Source: CORP Traffic Database.

Note: Where data fields for specific movements were missing in the CORP Traffic Database, I attributed those movements to customers, commodities, or stations based on the characteristics of similar movements.

Attachment C

Attachment C
Trends in Coos Bay Branch Traffic by Commodity

Commodity	Year			Base Year
	2005	2006	2007	
Farm Products	6	9	19	20
Lumber Products				
Plywood	1,171	1,065	818	968
Lumber	2,425	2,272	1,680	2,000
Logs	266	441	261	323
Pulpwood	1,068	1,031	879	1,024
Veneer	52	256	288	324
Other Lumber Products	2	-	-	-
Sub-total	4,984	5,065	3,926	4,639
Petroleum Products	43	41	21	27
Metal Products	117	46	38	44
Scrap Products	43	197	14	42
N/A	-	5	-	1
Grand Total	5,193	5,363	4,018	4,773

Source: CORP Traffic Database.

Note: Where data fields for specific movements were missing in the CORP Traffic Database, I attributed those movements to customers, commodities, or stations based on the characteristics of similar movements.

Attachment D

Attachment D
Coos Bay Branch Originating and Terminating Traffic By Station

Station	Year: 2007		
	Originating	Terminating	Total
COOS BAY			
COQUILLE			
CORDES			
GARDINER JCT			
HAUSER			
MACCORMAC			
NORTH BEND			
REEDSPORT			
ROSEBURG			
SWISSHOME			
Grand Total	3,420	598	4,018

Station	Year: 2006		
	Originating	Terminating	Total
COOS BAY			
COQUILLE			
CORDES			
GARDINER JCT			
HAUSER			
MACCORMAC			
NORTH BEND			
REEDSPORT			
ROSEBURG			
SWISSHOME			
Grand Total	4,560	803	5,363

Station	Year: 2005		
	Originating	Terminating	Total
COOS BAY			
COQUILLE			
CORDES			
GARDINER JCT			
HAUSER			
MACCORMAC			
NORTH BEND			
REEDSPORT			
ROSEBURG			
SWISSHOME			
Grand Total	4,652	541	5,193

Source: CORP Traffic Database.

Note: Where data fields for specific movements were missing in the CORP Traffic Database, I attributed those movements to customers, commodities, or stations based on the characteristics of similar movements.

Attachment E

Attachment E
State-to-State Flows For Coos Bay Branch Traffic

Type of Traffic	Origin State	Destination State	2006 Carloads	% of Total
Originating	OR	CA		
	OR	OR		
	OR	IL		
	OR	AZ		
	OR	TN		
	OR	WA		
	OR	UT		
	OR	MI		
	OR	MN		
	OR	OK		
	OR	KS/MO		
	Sub-Total		5,114	
Terminating	BC	OR		
	AB	OR		
	AR	OR		
	WA	OR		
	WY	OR		
	Sub-Total			
Total			5,363	100%

Source: 2006 Carload Waybill Sample

Attachment F

REDACTED