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SERVICE DATE – LATE RELEASE JANUARY 12, 2007

SURFACE TRANSPORTATION BOARD

NOTICE

STB Ex Parte No. 664

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

AGENCY: Surface Transportation Board.

ACTION: Notice of Public Hearing.

SUMMARY: The Surface Transportation Board will hold a public hearing beginning at 9:30 a.m. on Thursday, February 15, 2007, at its offices in Washington, DC. The purpose of the hearing will be for members of the public to present their views to assist the Board in its examination of the appropriate methodology to be employed in determining the railroad industry's estimated cost of capital to be used in future annual cost-of-capital determinations. Persons wishing to speak at the hearing should notify the Board in writing.

DATES: The public hearing will take place on Thursday, February 15, 2007. Any person wishing to speak at the hearing should file with the Board a written notice of intent to participate and should identify the party, the proposed speaker, the time requested, and the topic(s) to be covered, as soon as possible but no later than February 5, 2007. Each speaker should also file with the Board a written summary of his/her testimony by February 12, 2007. Written submissions by interested persons who do not wish to appear at the hearing will also be due by February 12, 2007.

ADDRESSES: All notices of intent to participate and testimony may be submitted either via the Board's e-filing format or in the traditional paper format. Any person using e-filing should comply with the Board's "www.stb.dot.gov" website, at the "E-FILING" link. Any person submitting a filing in the traditional paper format should send an original and 10 copies of the filing to: Surface Transportation Board, Attn: STB Ex Parte No. 664, 1925 K Street, N.W., Washington, DC 20423-0001.

FOR FURTHER INFORMATION, CONTACT: Paul Aguiar, (202) 565-1527. [Assistance for the hearing impaired is available through the Federal Information Relay Service (FIRS) at: (800) 877-8339.]

SUPPLEMENTARY INFORMATION: By an advance notice of proposed rulemaking served on September 20, 2006, the Board sought comments on the appropriate methodology to be employed in determining the railroad industry's estimated cost of capital. The Board will hold a public hearing to provide a forum for interested persons to provide views and information about

the Board's cost-of-capital calculation. Participants can also comment on how evidence should be submitted and analyzed in future cost-of-capital proceedings.

The annual determination of the railroad industry's cost of capital is used in evaluating the adequacy of railroad revenues each year. This information can also be used in other Board proceedings, such as those involving the prescription of maximum reasonable rate levels. Section 205 of the Railroad Revitalization and Regulatory Reform Act of 1976 (4R Act) created the requirement for the Board to establish and maintain standards for railroad revenue adequacy. Subsequent laws (including the ICC Termination Act of 1995) have retained this requirement. Thus, each year the Board makes a determination of which railroads are or are not revenue adequate.

The Board uses the Discounted Cash Flow (DCF) methodology to calculate the cost of equity, which in turn is used to calculate the cost of capital. Parties participating in this hearing should discuss any changes in the underlying railroad industry economic conditions and whether those changes suggest the need to change the methodology used by the Board. The Board invites information on the shortcomings of any proposed methodology and the current DCF method used in calculating cost of capital.

Date of Hearing. The hearing will begin at 9:30 am on Thursday, February 15, 2007, in the 7th floor hearing room at the Board's headquarters in Washington, DC, and will continue, with short breaks if necessary, until every person scheduled to speak has been heard.

Notice of Intent To Participate. Any person wishing to speak at the hearing should file with the Board a written notice of intent to participate, and should identify the party, the proposed speaker, the time requested, and topic(s) to be covered, as soon as possible, but no later than February 5, 2007.

Testimony. Each speaker should file with the Board a written summary of his/her testimony by February 12, 2007. Also, any interested person who wishes to submit a written statement without appearing at the February 15 hearing should file that statement by February 12, 2007.

Board Releases and Live Audio Available Via the Internet. Decisions and notices of the Board, including this notice, are available on the Board's website at "www.stb.dot.gov." This hearing will be available on the Board's website by live audio streaming. To access the hearing, click on the "Live Audio" link under "Information Center" at the left side of the home page beginning at 9:30 a.m. on February 15, 2007.

This action will not significantly affect either the quality of the human environment or the conservation of energy resources.

Dated: January 12, 2007.

Vernon A. Williams  
Secretary