



Office of the Chairman

Surface Transportation Board
Washington, D.C. 20423-0001

July 1, 2016

The Honorable Bill Shuster
Chairman
Committee on Transportation
and Infrastructure
U.S. House of Representatives
2251 Rayburn House Office Building
Washington, DC 20515

The Honorable Peter DeFazio
Ranking Member
Committee on Transportation
and Infrastructure
U.S. House of Representatives
2251 Rayburn House Office Building
Washington, DC 20515

The Honorable Jeff Denham
Chairman
Subcommittee for Railroads, Pipelines
and Hazardous Materials
Committee on Transportation
and Infrastructure
U.S. House of Representatives
B-329 Rayburn House Office Building
Washington, DC 20515

The Honorable Michael E. Capuano
Ranking Member
Subcommittee for Railroads, Pipelines
and Hazardous Materials
Committee on Transportation
and Infrastructure
U.S. House of Representatives
B-329 Rayburn House Office Building
Washington, DC 20515

Dear Representatives Shuster, DeFazio, Denham and Capuano,

I am writing to transmit a series of reports pertaining to the implementation of the Surface Transportation Board Reauthorization Act of 2015, Public Law 114-110 ("Reauthorization Act" or "Act"). I have prepared these reports with the goal of not just meeting the requirements of the law but also improving our transparency. In addition to keeping Congress informed of our activities and our progress, I recognize that these reports are also important to our stakeholders.

The enclosed implementation status report for the month of July describes the progress made on the key initiatives of the Reauthorization Act. I also include the second quarterly reports on rate case review metrics, formal service complaints, and informal service complaints, which have been prepared pursuant to Section 6(b) of the Act and posted on the Board's website. Finally, enclosed is the next quarterly report on unfinished regulatory proceedings pursuant to Section 15 of the Act.

Regulatory Proceedings. I am pleased to report the progress we have made this last quarter with our pending regulatory proceedings. During this most recent quarter, the Board issued decisions in the following regulatory proceedings: EP 720, Accounting and Reporting of Business Combinations, Security Investments, Comprehensive Income, Derivative Instruments and Hedging Activities; EP 724 (Sub No. 4), United States Rail Service Issues – Performance Data Reporting; EP 730, Revisions to Arbitration Procedures; EP 731, Investigations; EP 735, Revision to the Surface Transportation Board’s CFR Chapter Heading Pursuant to the Surface Transportation Board Reauthorization Act of 2015; EP 733, Expediting Rate Cases; and EP 719 Small Entity Size Standards Under the Regulatory Flexibility Act.

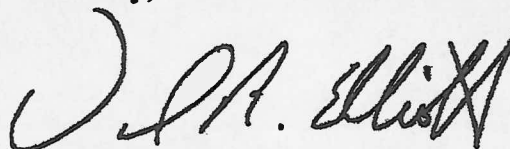
With respect to EP 711, Petition for Rulemaking to Adopt Revised Competitive Switching Rules, I put a decision into voting, and voting was recently extended to allow further consideration of the decision. My strong hope is that the Board Members can reach a consensus soon. Therefore, the Board has modified the targeted service date to July 2016 for our next proposed action.

Rate Cases. The Board continues implementation of the Act’s provisions related to improving the processing of rate reasonableness cases. In April, the Board held a series of informal meetings with practitioners, consultants, and stakeholders who have significant experience in litigation matters, including stand-alone cost rate cases, to share their views and ideas for expediting rate cases. As required by Section 11 of the Reauthorization Act, on June 15, 2016, the Board instituted a proceeding to assess procedures that are available to parties in litigation before courts to expedite such litigation, and the potential application of any such procedures to rate cases before the Board. This advance notice of proposed rulemaking also assesses ways to move stand-alone cost rate cases forward more expeditiously.

Board Member Communications. In June, we held another productive meeting pursuant to the Board’s collaborative discussion authority established by the Act, addressing an ongoing proceeding before the Board.

Thank you for your ongoing interest in our work implementing the Reauthorization Act. I hope this information is helpful to you. Please do not hesitate to contact me with questions or concerns about this or any other matter before the Board.

Sincerely,

A handwritten signature in black ink, appearing to read "D. R. Elliott III". The signature is fluid and cursive, with a large initial "D" and "R".

Daniel R. Elliott III
Chairman

**STB Reauthorization Act of 2015, P.L. 114-110 / STB Action Items
June 2016**

Section of Law - Action Required	Description	Deadline	Status
Sec. 6(a) - Annual Report	Report on each initiated investigation in Annual Report	Annually	To be included in FY2016 Annual Report and thereafter
Sec. 6(b) - Quarterly Rate Case Review Metrics Reports	Post quarterly reports of rate cases pending or completed during the previous quarter	Third Qtr 2016	Second quarterly report completed 7/1/2016; posted to website; next report underway
Sec. 6(b) - Formal Service Complaints	<ol style="list-style-type: none"> 1. Establish & maintain formal complaint database 2. Create report 3. Post quarterly reports on website 	Third Qtr 2016	Database established, report format created, second quarterly report completed 7/1/2016; posted to website; next report underway
Sec. 6(b) - Informal Service Complaints	<ol style="list-style-type: none"> 1. Establish & maintain informal complaint database 2. Create report 3. Post to website 	Third Qtr 2016	Database established, report format created, second quarterly report completed 7/1/2016; posted to website; next report underway
Sec. 11 - Rate Case Expedition Proceeding	Assess procedures to expedite litigation in courts to potentially apply to expedition of STB rate cases	6/15/2016	A series of informal meetings with stakeholders and practitioners was held to discuss ideas and proposals; an advanced notice of proposed rulemaking (EP 733, Expediting Rate Cases) was issued on 6/15/16; comments are due by 8/1/16; reply comments are due by 8/29/16
Sec. 11 - Maintain Simplified Rate Case Processes	Maintain one or more simplified rate case methods for when SAC is too costly given value of the case	N/A	Maintain 3B, Simplified SAC; ongoing railroad rate regulation study and EP665 may result in additional ideas/approaches
Sec. 11 - Rate Review Timelines	Implement new rate review timelines for SAC cases	Board deadline: ASAP	Final Rules issued March 9, 2016
Sec. 12 - Investigative Authority Rulemaking	Issue rules on STB-initiated investigations after public notice and comment	12/18/2016	Section 5 meeting conducted to discuss proposals; NPRM issued 5/16/16; intend to issue final rules by 12/18/2016
Sec. 13 - Arbitration Rulemaking	Promulgate regulations to establish voluntary and binding arbitration process for rate and practice complaints	12/18/2016	Section 5 meeting conducted to discuss proposals; NPRM issued 5/12/2016; intend to issue final rules within the third quarter of 2016

**STB Reauthorization Act of 2015, P.L. 114-110 / STB Action Items
June 2016**

Section of Law - Action Required	Description	Deadline	Status
Sec. 15 - Rate Case Methodology Report	Report to Congress on sufficiency of STB rate case methodologies and alternatives	12/18/2016	A railroad rate regulation study is ongoing and a final report is anticipated in advance of 12/18/2016
Sec. 15 - Unfinished Regulatory Proceedings Quarterly Reports	Provide quarterly progress report to Congress on pending proceedings; first report due 60 days after enactment	Third Qtr 2016	Second quarterly report completed and submitted to Congress 7/1/2016; posted to website; next report underway