

Surface Transportation Board Finds Union Pacific Railroad Rate Unreasonably High for Wisconsin Power and Light Coal Traffic

Surface Transportation Board (Board) Chairman Linda J. Morgan announced today that the Board has issued a decision finding the rate assessed by the Union Pacific Railroad Company (UP) for moving trainloads of coal from the Powder River Basin (PRB) of Wyoming to the Wisconsin Power and Light Company (WPL) electric-generating facility at Sheboygan, Wisconsin to be unreasonably high. The Board ordered UP to reduce its rate and to pay reparations to WPL.

Under the provisions of Section 10707 of Title 49, United States Code (49 U.S.C. 10707), the Board may consider a challenge to a railroad's rates only if the agency first finds that the railroad has market dominance, that is, that the railroad does not face effective competition for the traffic to which the rate applies. Upon review of the public record in this case, the Board found that the challenged rate exceeds 180 percent of UP's variable cost of providing service and that WPL has no effective transportation alternative to UP's service for moving coal from the PRB to Sheboygan. Accordingly, the Board concluded that UP has market dominance over WPL's coal traffic.

The Board evaluated the reasonableness of the rate using the stand-alone cost (SAC) test. The SAC test seeks to determine the lowest cost at which a hypothetical, efficient railroad could provide the transportation service needed by a complaining shipper. Under the SAC test, the complaining shipper designs a hypothetical railroad specifically tailored to serve its needs and the needs of other traffic it designates. The costs of building and operating such an efficient railroad are then compared to the revenues that such a system could expect to earn. If, as in this case, the shipper demonstrates that the stand-alone railroad would earn more than necessary to cover all of its costs (including a reasonable return on investment), the shipper is entitled to rate relief.

In this case, the SAC analysis examined the projected earnings and operations of a hypothetical railroad for the 20-year period, 2000-2019. The results of that analysis showed that the stand-alone railroad would generate greater revenues than would be needed to cover all the costs that would be incurred in, or assigned to, each year of the 20-year period. The Board therefore ordered UP to reduce the challenged rate to 180 percent of UP's variable cost of providing service to WPL--the lowest rate level the Board is authorized to prescribe.

The Board issued its decision today in *Wisconsin Power and Light Company v. Union Pacific Railroad Company*, STB Docket No. 42051. A printed copy of the decision is available for a fee by contacting **D~ 2 D~ Legal, Room 405, 1925 K Street, NW, Washington, DC 20006, telephone (202) 293-7776**, or via [http://Da_To_Da@Hotmail.com](mailto:Da_To_Da@Hotmail.com). The decision also is available for viewing and downloading via the Board's website at <http://www.stb.dot.gov>.

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