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SURFACE TRANSPORTATION BOARD ORDERS AN ESTIMATED $30 MILLION IN RATE REDUCTIONS & REPARATIONS IN "KANSAS CITY POWER & LIGHT v. UNION PACIFIC" RAIL RATE-COMPLAINT CASE

The Surface Transportation Board (Board) announced today that it has issued a decision granting an estimated $30 million in rate reductions and reparations in the maximum railroad-rate case brought before the Board by the Kansas City Power & Light Company (KCPL) against the Union Pacific Railroad Company (UP) in the proceeding entitled *Kansas City Power & Light Company v. Union Pacific Railroad Company*, STB Docket No. 42095.

At issue in this case was KCPL's challenge to rates charged by UP for the rail transportation of coal from Wyoming's Powder River Basin to KCPL's Montrose Generating Station near Ladue, Missouri. The parties to this case stipulated that the maximum lawful rate should be set at 180 percent of the variable cost of providing service. In its decision, the Board found that UP's rates for the challenged movements all exceed 180 percent of the variable cost of providing the transportation at issue. Accordingly, the Board: (1) ordered UP to establish and maintain rates, not to exceed 180 percent of the variable cost of providing the service at issue, through the end of calendar-year 2015; and (2) ordered UP to pay reparations to KCPL, plus interest, for monies previously collected for rates charged above the 180 percent of variable-cost level.

The Board's decision applied the agency's April 15, 2008, railroad cost-of-capital determination in the case entitled *Railroad Cost of Capital—2006*, STB Ex Parte No. 558 (Sub-No. 10). The Board used the 2006 cost-of-capital figure to estimate that UP's reparations, with interest, to KCPL for 2006 will be approximately $2.9 million, an 8.3-percent reduction from the total transportation charge KCPL incurred that year. The Board further estimated that the total relief KCPL will obtain from the agency's decision—including both reparations and the lower rate prescribed by the agency through 2015—will approximate $30 million. Approximately half of that relief is attributable to the Board's decision to use a Capital Asset Pricing Model instead of a single-stage Discounted Cash Flow model (as addressed in the Board's January 17, 2008, decision in *Methodology To Be Employed in Determining the Railroad Industry's Cost of Capital*, STB Ex Parte No. 664) to determine the 2006 cost of capital.

The Board issued its decision today, May 19, 2008, in STB Docket No. 42095. That decision is available for viewing and downloading via the Board's Web site at http://www.stb.dot.gov, under "E-Library," then under "Decisions & Notices," beneath the date "5/19/08."

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