

SURFACE TRANSPORTATION BOARD ORDERS \$63 MILLION IN RATE RELIEF TO ARIZONA UTILITY

The U.S. Surface Transportation Board granted an estimated \$63 million in reparations and rate reductions to the Arizona Electric Power Cooperative, Inc. The decision grants AEPCO an average rate reduction of 37 percent over the period 2009 through 2018.

The Board found that BNSF Railway Company and Union Pacific Railroad Company were overcharging the utility for shipments of coal from New Mexico, Wyoming and Montana to AEPCO's power generating station near Cochise, Ariz. The Board found that AEPCO did not have a feasible shipping alternative to BNSF and UP to supply its plant.

AEPCO pursued relief under the Board's stand-alone-cost test. The results found that the maximum reasonable rates were below 180 percent of the variable costs of providing rail service. But, by statute, the Board cannot order railroads to set rates below the 180 percent threshold. Therefore, the Board set the maximum rate that BNSF and UP can charge AEPCO at 180 percent.

The Board held an oral argument in the case on Sept. 28, 2010.

The decision in the case, [Arizona Electric Power Cooperative, Inc. v. BNSF Railway Company and Union Pacific Railroad Company](#), STB Docket No. NOR 42113, can be found on the Board's website at www.stb.dot.gov.