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SURFACE TRANSPORTATION BOARD DENIES "SANTA FE" RAILROAD REQUEST FOR RECONSIDERATION OF DECISION ORDERING COAL RATE REDUCTION & REPARATIONS

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SURFACE TRANSPORTATION BOARD
DENIES "SANTA FE" RAILROAD REQUEST
FOR RECONSIDERATION OF DECISION
ORDERING COAL RATE REDUCTION & REPARATIONS

Surface Transportation Board (Board) Chairman Linda J. Morgan announced today that the Board has affirmed its decision finding that the rates charged by the Atchison, Topeka and Santa Fe Railway Company (Santa Fe) [FOOTNOTE 1: Santa Fe is now part of the Burlington Northern Santa Fe Railway Company.] for carrying coal from the McKinley Mine near Gallup, New Mexico, to the Cholla electrical generating plant at Joseph City, Arizona, were unreasonably high and awarding substantial reparations to the shipper. The rate that the Board prescribed represents a 35% reduction from the rate earlier charged by Santa Fe.

The Board's original decision, which Santa Fe asked it to reconsider, found that the complaining shipper, an Arizona utility, had shown that a hypothetical new ("stand-alone") railroad, custom-designed to serve that utility's traffic, could provide service at rates significantly less than the rates being charged by Santa Fe. In response to Santa Fe's request for reconsideration, the Board made technical corrections that have the effect of modifying slightly the maximum rate that Santa Fe can charge, but it essentially reaffirmed its earlier decision.

In particular, the Board confirmed its conclusion that the Cholla plant has no effective alternative to the service provided by Santa Fe. The Board rejected Santa Fe's renewed arguments that, by purchasing electricity from the power grid, the utility has an effective alternative to the railroad's service.

The Board also declined to reopen and recalculate the reparation and rate prescription orders based on the railroad's argument that actual traffic volumes and revenues do not correspond to the levels assumed in the stand-alone cost ("SAC") analysis. Because SAC cases include projections of future traffic volumes and revenues, the Board reasoned that it could never bring such cases to conclusion if the record had to be continually reopened as new data became available. The Board stated that it would reopen SAC cases only when there are significant long-term shifts in traffic patterns that would affect the long-term projections used to decide the case.

Finally, the Board refused to alter certain assumptions upon which its SAC analysis was based. The Board found unpersuasive Santa Fe's arguments that this traffic would decline substantially. It also rejected the railroad's argument that it is necessary to examine the financial viability of the hypothetical stand-alone railroad in perpetuity, as opposed to the 20-year period used by the Board.

The Board's decision was issued today in Arizona Public Service Company and Pacificorp v. The Atchison, Topeka and Santa Fe Railway Company, Docket No. 41185. The decision may be viewed on the Board's web site at www.stb.dot.gov.

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