

SURFACE TRANSPORTATION BOARD SEEKS COMMENTS ON USE OF MULTI-STAGE DCF IN COST-OF-CAPITAL METHODOLOGY

The Surface Transportation Board (Board) today issued a notice seeking public comments on the use of a multi-stage discounted cash flow (DCF) model to complement the use of the Capital Asset Pricing Model (CAPM) in determining the cost-of-equity component of the railroad industry's cost of capital. The Board uses the annual cost-of-capital figure in evaluating the adequacy of the individual railroads' revenues each year, as well as in various types of regulatory proceedings (such as determining the reasonableness of a challenged rail rate, considering a proposal to abandon a rail line, or valuing a particular railroad operation in certain other types of cases).

Today's notice follows 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, in which the Board adopted a CAPM approach to replace the single-stage DCF method it had applied since 1982. In that decision, the Board also announced that it intended to institute a new proceeding to address the use of a multi-stage DCF for future use in conjunction with CAPM, and today's notice begins that proceeding.

Comments on the notice are due on or before **April 14, 2008**. The Board's [decision in Use of a Multi-Stage Discounted Cash Flow Model in Determining the Railroad Industry's Cost of Capital, STB Ex Parte No. 664 \(Sub-No. 1\)](#), 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 "2/11/08." A printed copy of the Board's decision also is available for a fee by contacting **ASAP Document Solutions, 9332 Annapolis Rd., Suite 103, Lanham, MD 20706, telephone (202) 306-4004 or via asapdc@verizon.**

###