

Dated: December 22, 2008.

Michael K. Buckley,

Acting Assistant Administrator, Mitigation Directorate, Department of Homeland Security, Federal Emergency Management Agency.

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DEPARTMENT OF TRANSPORTATION

Surface Transportation Board

49 CFR Parts 1201 and 1242

[STB Ex Parte No. 681]

Class I Railroad Accounting and Financial Reporting—Transportation of Hazardous Materials

AGENCY: Surface Transportation Board.

ACTION: Advance Notice of Proposed Rulemaking.

SUMMARY: The Surface Transportation Board (STB) seeks comment on whether and how it should update its accounting and financial reporting for Class I rail carriers and refine its Uniform Railroad Costing System (URCS) to better capture the operating cost of transporting hazardous materials.

DATES: Comments on the advance notice are due on or before February 4, 2009.

ADDRESSES: Comments may be submitted either via the Board's e-filing format or in the traditional paper format. Any person using e-filing should attach a document and otherwise comply with the instructions at the E-FILING link on the Board's Web site, at <http://www.stb.dot.gov>. Any person submitting a filing in the traditional paper format should send an original and 10 copies to: Surface Transportation Board, Attn: STB Ex Parte No. 681, 395 E Street, SW., Washington, DC 20423-0001.

Copies of written comments received by the Board will be posted to the Board's Web site at <http://www.stb.dot.gov> and will be available for viewing and self-copying in the Board's Public Docket Room, Suite 131, 395 E Street, SW., Washington, DC. Copies of the comments will also be available (for a fee) by contacting the Board's Chief Records Officer at (202) 245-0235 or 395 E Street, SW., Washington, DC 20423-0001.

FOR FURTHER INFORMATION CONTACT: Paul Aguiar, (202) 245-0323. [Assistance for the hearing impaired is available through Federal Information Relay Service (FIRS) at 1-800-877-8339.]

SUPPLEMENTARY INFORMATION: The Board uses its Uniform Railroad Costing

System (URCS) to determine a carrier's variable costs in a variety of regulatory proceedings.¹ The URCS model determines, for each Class I railroad, what portion of each category of costs shown in that carrier's Annual Report to the Board (STB Form R-1) represents its system-average variable cost for that year, expressed as a unit cost. URCS does this through a series of computer programs and manual procedures that are organized into three phases. Phase I compiles the raw data provided by the carrier into a useable format, and then uses statistical estimation procedures to determine the proportion of specific expense account groupings that vary with changes in the volume of activity (such as running track maintenance, which varies with gross ton-miles). In Phase II, these cost/volume relationships are then used to develop the unit variable costs that allow costing of specific rail movements. Finally, in Phase III, these variable cost units are applied to specific movements via an interactive computer program that permits the user to enter data for the specific movements under consideration.

There may be unique operating costs associated with the transportation of hazardous materials, however, that URCS does not attribute to those movements. For example, transportation of hazardous material may require the carriers to pay higher insurance premiums. While carriers report those insurance expenses in the R-1 reports, URCS spreads those expenses across all traffic of the railroad, rather than attributing those higher insurance costs specifically to the transportation of the hazardous materials. Nor does the Uniform System of Accounts (USOA)—which Class I carriers must use to prepare the financial statements that they submit to the Board—include a separate classification for hazmat operations so as to allow an accounting of the assets used and costs incurred in providing such service.

The Board seeks public comment on whether and how it should improve its informational tools to better identify and attribute the costs of hazardous-material transportation movements. This would require both revising the USOA—to obtain more detailed accounting and reporting of expenses and operating statistics associated with hazmat transportation—and improving the analytic capabilities of URCS to

¹ See *Adoption of the Uniform Railroad Costing System As A General Purpose Costing System For All Regulatory Costing Purposes*, 5 I.C.C.2d 894, 899 (1989) (*Adoption of URCS*) (The URCS model is the Board's "general purpose costing system for all regulatory costing purposes.").

better reflect the costs associated with the transportation of hazardous materials. We therefore seek comments on both (1) whether it is appropriate to refine URCS to cost hazmat operations better, and (2) how to identify the costs of hazmat operations through our accounting and reporting rules.

To add a hazmat adjustment to URCS, we would need more accounting detail. Currently, the costs of hazmat operations are reported throughout the Operating Expense Matrix (Schedule 410). Those costs could, however, be separately identified in Schedule 417—Specialized Service Sub-Schedule—Transportation. Further, the costs of assets devoted to hazmat operations are not explicitly provided for in the existing property accounts. Establishing a new category of assets within the existing accounting and reporting framework may be beneficial. Parties are encouraged to comment on how best to define those operations and expenses that could be reported in this sub-schedule. Please be specific. We encourage parties to offer a specific definition of what should constitute a movement of hazardous material for this purpose, and to address whether it should be limited to movements of "Toxic Inhalation Hazards" (TIH) or should be broader or narrower. Parties should also provide assistance in identifying and defining the operating costs of hazmat shipments, as well as assets devoted to hazmat operations.

Parties should also comment on the best operating statistic for URCS to use to allocate these specified hazmat costs to individual movements. Examples might include car-miles, revenue ton-miles, or revenue tons of hazardous materials movements. (If some form of this proposal is adopted, carriers would then be required to report that operating statistic in Schedule 755 of the R-1 annual financial report so the modification to URCS could be implemented.) We would propose to treat hazmat expenses as 100% variable, just as other specialized costs are treated in URCS.

This decision will not significantly affect the quality of the human environment or the conservation of energy resources.

Decided: December 22, 2008.

By the Board, Chairman Nottingham, Vice Chairman Mulvey, and Commissioner Buttrey.

Jeffrey Herzig,
Clearance Clerk.

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