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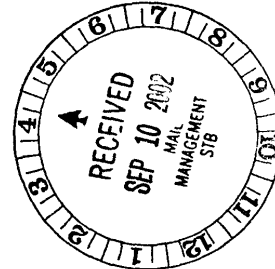
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ORIGINAL

206183

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September 10, 2002



Honorable Vernon A. Williams
Secretary
Surface Transportation Board
1925 K Street, N.W.
Room 700
Washington, D. C. 20423

RE: Docket No. AB-55 (Sub-No. 618), *CSX Transportation, Inc.—Discontinuance Exemption—at Memphis, in Shelby County, Tennessee*

Dear Secretary Williams:

Enclosed are the original and 10 copies CSX Transportation, Inc.'s rebuttal in the above-entitled proceeding. Also enclosed are three diskettes containing the Rebuttal and verified statements.

Please time and date stamp the additional copy of this letter and the three volume application, and return it to our messenger. Thank you for your assistance.

If you have any questions, call or email me.

Sincerely yours,

Louis E. Gitomer
Attorney for CSX Transportation, Inc.

Enclosures

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Office of Proceedings

SEP 10 2002

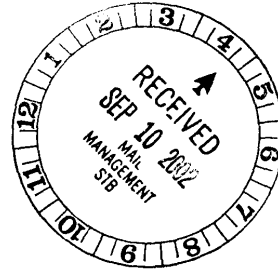
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ORIGINAL

BEFORE THE
SURFACE TRANSPORTATION BOARD

DOCKET NO. AB-55 (Sub-No. 618)

CSX TRANSPORTATION, INC.
--DISCONTINUANCE--
AT MEMPHIS, IN SHELBY COUNTY, TENNESSEE



REBUTTAL

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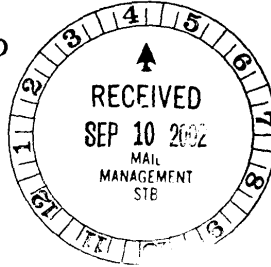
Attorneys for: CSX TRANSPORTATION,
INC.

Dated: September 10, 2002

BEFORE THE
SURFACE TRANSPORTATION BOARD

DOCKET NO. AB-55 (Sub-No. 618)

CSX TRANSPORTATION, INC.
--DISCONTINUANCE--
AT MEMPHIS, IN SHELBY COUNTY, TENNESSEE



REBUTTAL

CSX Transportation, Inc. ("CSXT") files this Rebuttal with the Surface Transportation Board (the "Board") in response to the Protest filed on August 26, 2002 (the "Protest") by Bolen-Brunson-Bell Lumber Company, Inc. ("BBB").¹ CSXT contends that the Application that it filed on July 10, 2002 and this Rebuttal clearly prove under 49 U.S.C. § 10903(d) that the present and future public convenience and necessity permit the discontinuance of the operation of rail transportation over the 1.1-mile rail line portion of its Midwest Region, Nashville Division, Memphis Terminal between milepost ONI 224.0, at Memphis, TN and milepost ONI 222.9 east of Memphis, TN (the "Line"), all in Shelby County, TN.²

SUMMARY

CSXT contends that continued operation of the Line is a burden on CSXT and interstate commerce. CSXT further contends that the burden of continued operation of the Line on CSXT and interstate commerce far outweigh any potential harm to BBB. The burden on CSXT consists of three factors (1) the continued difficult and expensive operation of the Line, (2) the losses

¹ References to the Protest will be cited as Protest, at Page ____.

² References to the Application will be cited as Application, Volume __, Page ____.

from operation of the Line,³ and (3) the cost of repairing, but more likely replacing the bridge over Cypress Creek at milepost ONI 223.3 (the "Bridge"). The harm projected by BBB is unsupported and substantially overstated.

THE BURDEN ON CSXT OF CONTINUING TO OPERATE THE LINE

1. The Line is difficult to operate.⁴

Because CSXT does not have access to a local transfer crew in the Memphis area, the time and effort required to serve BBB is significant. As will be more fully set out below, all BBB traffic arriving in Memphis via other Class I carriers must be transported all the way to Nashville, then back to CSXT's Leewood Yard and then finally on to BBB's facility via a cumbersome route.

Mr. Donnie Moore, the Trainmaster for the Memphis, TN area, testified about the difficulty of moving trains from CSXT's Leewood Yard to BBB's facility on the Line. Application, Volume 1, Pages 40-43. In particular, the CSXT train serving BBB must cross the CNIC/CSXT north-south double-track mainline between Memphis and Aulon, which handles about 40 trains per day. *Id.*, at 40. According to Mr. Moore, the move to serve BBB is

³ The avoidable costs calculated in the Application, Volume I, Page 17, did not take into account the actual movement of trains between rail yards in Memphis. Taking the costs incurred in the actual operation into account results in an avoidable loss on the Line, instead of attributable revenue. Although this analysis is proper rebuttal, CSXT would not object to giving BBB a short period to respond, with CSXT having five days thereafter to file rebuttal.

⁴ BBB questions the inclusion of the eastern most 0.2 miles in the proposed discontinuance. The 0.2 miles of mainline track east of BBB was included in the discontinuance because it would be necessary for operational purposes. A loaded train goes down to the BBB facility where it picks up empty cars. The train is pulled back on the mainline and it is shoved east past the BBB switch. The empties are left on the mainline. The loaded cars are then pulled up and delivered to BBB. The engine then goes back to pick up the empties. The 0.2 of a mile is necessary to ensure that the main line is blocked for the least amount of time possible.

“awkward and time-consuming from an operational prospective.” *Id.*, at 42. BBB has not addressed or rebutted the operational difficulty CSXT encounters in serving BBB.

Exhibit C to this rebuttal is the Rebuttal Verified Statement of Mr. Greg Wallen, CSXT’s Terminal Trainmaster and Terminal Manager at Memphis, TN. Mr. Wallen describes CSXT’s interchange operation between the other railroads in Memphis, TN and CSXT’s Leewood Yard. For instance, it takes three days to move a car destined to BBB from the Burlington Northern and Santa Fe Railway Company’s Tennessee Yard to CSXT’s Leewood Yard. The CSXT road crew picks up the cars at Tennessee Yard, transports them to Nashville, TN, where the cars are sorted and the Memphis bound cars are returned to Leewood Yard. Instead of relying on this operation and the costs involved (see the rebuttal verified statement of Ms. Ellen Preslar in Exhibit A) BBB could, as it has done, transload cars directly from Tennessee Yard, and the yards of the other railroads serving Memphis.

The operation of the Line to serve BBB is a burden on CSXT.

2. CSXT will incur avoidable losses if it continues to operate the Line.⁵

BBB points out that CSXT attributed return on value of freights cars for foreign-owned freight cars to both its on-branch and off-branch avoidable costs. Ms. Ellen Preslar, CSXT’s Senior Manager—Costing agrees with the comments and has revised Exhibit 1 accordingly. However, Ms. Preslar observed, “simply removing the return on value for freight cars in items 5(i) and 6(b) of Exhibit 1, as done by BBB in the Protest at page 7, understates car costs because there are car costs involved.” Preslar VS at 19. In order to account for the foreign cars, Ms. Preslar

⁵ CSXT has revised its forecast year costs as suggested by BBB to exclude the Bridge rehabilitation costs and opportunity costs. However, the subsidy year does include the Bridge rehabilitation costs and opportunity costs, which show the true magnitude of the burden on CSXT if it were forced to operate over the Line.

determined that "use of foreign-car per diem and mileage costs in items 5(g) and 6(a) of Revised Exhibit 1 would be more appropriate in this cost analysis. As such, I have restated freight car costs, both on-branch (item 5(g)) and off-branch (item 6(a)), to reflect use of UMLER rates for the specific foreign cars." Preslar VS at 19.

As of result of BBB's comments, Ms. Preslar reduced avoidable costs for return on value of freights cars for foreign-owned freight cars on-branch by \$2,148 in the base year and \$1,308 in the forecast year and off-branch by \$368 in the base year and \$226 in the forecast year. Since CSXT delivered foreign freight cars to BBB, Ms. Preslar increased the on-branch freight car costs by \$6,461 in the base year and \$6,635 in the forecast year.

In response to BBB's claims that CSXT's operation was profitable, Ms. Preslar reviewed the operation in light of Mr. Wallen's testimony and revised the off-branch costs to include the UMLER rates for foreign cars and to include the actual switching costs incurred by CSXT (the former analysis did not incorporate the costs to take BBB cars to Nashville and back). Hence, avoidable costs, as justified in Ms. Preslar's rebuttal verified statement and work papers, increased from \$64,850 to \$134,130 in the base year and from \$66,931 to \$136,773 in the forecast year.

As a result of the adjustments to avoidable costs prepared in response to BBB's arguments, overall avoidable costs increased to \$164,786 in the base year and \$167,278 in the forecast year. Based on actual operation of the Line, CSXT had an avoidable loss in the base year of \$43,802 and in the forecast year of \$37,283.

3. The Bridge will cost \$214,500 to repair, and should therefore be replaced.

Even BBB admits that substantial repairs are required before CSXT can operate safely over the Bridge. Protest at 24. Even though there is a dispute between CSXT and BBB as to the amount of those repairs, CSXT suggests that the age of the Bridge and the required repairs

warrant the replacement of the Bridge, which will cost approximately \$360,000. See Mr. Davidson's Rebuttal verified Statement in Exhibit B.

Mr. Davidson, CSXT's Regional Engineer Structures with 32 years of experience with railroad bridges has now inspected the Bridge five times, most recently on August 28, 2002. Mr. Davidson's assistant, Mr. Hood inspected the Bridge on June 19, 2002.

In determining the level of repair required for the safe operation of the Bridge, there are really only two areas of disagreement: (a) the required repairs; and (b) the cost of repairs. CSXT urges the Board to be mindful that it is Mr. Davidson's responsibility to ensure that the Bridge is safe to operate over in order to protect the safety of CSXT's employees and neighbors, while Mr. Stone has no such obligation.⁶

(a) The required repairs.

Before determining the repairs that must be made to the Bridge, the Bridge had to be inspected. A more in-depth inspection would provide a better understanding of the condition of the Bridge and the repairs necessary for safe operation.

BBB's expert concedes that he did not perform as thorough an inspection as CSXT because he did not drill into the wooden bridge. Protest at 46. BBB did not seek permission from CSXT to conduct a more thorough inspection of the Bridge. Hence, CSXT's multiple inspections should be given considerably more weight than the more cursory inspection performed by Mr. Stone.

BBB argues that Mr. Davidson overestimated the number of stringers in the Bridge. Mr. Davidson explains that while BBB is correct about the number of stringers in the Bridge today,

he was describing the number of stringers needed to bring this early 20th century bridge up to modern CSXT standards.⁷ CSXT preformed a more detailed inspection and proposed repairs to the Bridge which would bring it up to modern standards. Mr. Davidson reviewed the repairs proposed by BBB and determined that they were short term repairs requiring additional annual repairs and that they did not cure all of the problems with the Bridge uncovered by his more detailed inspection.

Mr. Davidson, with more information at his disposal than Mr. Stone, has fully justified the repairs to the Bridge he proposed in the Application. Moreover, Mr. Davidson makes a very telling observation in his attached rebuttal verified statement when he notes that in order to make the repairs proposed by Mr. Stone, the flooring of the Bridge would have to be removed. He then points out that Mr. Stone does not account for replacing the flooring. This is typical of the BBB repair estimate. Mr. Davidson does not believe that the BBB repair estimate reflects actual experience in actual bridge repair.

⁶ Management's demonstrated interest in promoting value for the stockholders of CSXT's parent corporation prevents CSXT from gold plating the bridges it reconstructs. The balance of safety and investor expectations regulate CSXT's expenditures to repair the Bridge.

⁷ BBB claims that CSXT's Historic Report is defective. Protest at 14-15. BBB is wrong. CSXT served the Historic Report on April 9, 2001 in *CSX Transportation, Inc.—Abandonment Exemption—(Between Memphis and Cordova) in Shelby County, TN*, STB Docket No. AB-55 (Sub-No. 590x), and stated there was nothing historic on the line. Thereafter, the Tennessee State Historic Preservation Office ("SHPO") began consulting with the Board's environmental staff regarding possible historic properties that may be on the line. On October 25, 2001, the SHPO formally requested thru the Board's environmental staff additional information and pictures. CSX responded to the SHPO on November 20, 2001, enclosing pictures and describing the timber trestle Bridges. On November 30, 2001, the SHPO sent a letter to the STB stating there are no properties eligible for listing in the National Register. Hence, the condition proposed by the Board's Section of Environmental analysis in the Environmental Assessment served on October 21, 2001 was resolved. The Bridge is not historic and the Historic Report is not defective. The correspondence is in Exhibit D.

Mr. Stone states that "The goal of bridge repairs is to provide a safe bridge, not a new one." Protest at 48. Mr. Davidson has concluded that Mr. Stone has probably met his own self-imposed requirement, but only for the short term and most likely for a Class III railroad. Mr. Davidson believes that if the repairs proposed by Mr. Stone are made, that CSXT will be making repairs to the Bridge every year, not the one-time fix postulated by Mr. Stone. CSXT contends that not only must bridge repairs provide for a safe bridge, but the repairs must be economical over the long-term. Mr. Davidson is convinced that if the repairs he suggests are made at a cost of \$214,500, then CSXT will have to replace the Bridge because the pilings will wear out within 10 years. Mr. Davidson believes that you cannot just replace the support underlying the Bridge without replacing the bridge itself because the components of a bridge interact. Mr. Davidson reaches his conclusion that the Bridge should be replaced because, in his view, CSXT would be wasting \$214,500 when it would have to come back and replace the Bridge within 10 years for \$360,000. CSXT does not believe it is sound to invest \$574,500 in a bridge over 10 years if a \$360,000 investment today will avoid an additional investment.

(b) The cost of repairs.

CSXT's repair costs are based on Mr. Davidson's 32 years of experience. Mr. Davidson candidly admits that his estimate may be a little high or a little low, but that it is a good faith estimate. BBB questions CSXT's repair costs based on an estimate given to the Meridian Southern Railway LLC (the "MSR"). However, Mr. Stone does not indicate which repairs MSR contracted to have made (Protest at 47-48) or what the final unit costs were. Moreover, Mr. Stone is comparing the costs of a 50-mile long short line railroad to a Class I railroad. He is also comparing repair standards for a Class III railroad with a Class I railroad that most likely operates

heavier locomotives over its lines, requiring the higher load bearing capability that Mr. Davidson has proposed.

The Bridge is located in Memphis, TN and being repaired by CSXT, not MSR or a contractor for MSR. CSXT urges the Board to reject the bridge repair costs proposed by BBB and adopt those developed by CSXT's expert, Mr. Davidson based on his 32 years of experience.

4. Conclusion.

CSXT is involved in performing a difficult and expensive operation in order to serve BBB. In the base year, CSXT lost \$43,802 operating over the Line. The Bridge should be replaced at a cost of \$360,000, but must be repaired at a cost of \$214,500.⁸

THERE IS MINIMAL HARM TO BBB

CSXT contends that BBB has not supported its claim that it has suffered a loss of income of \$100,000.⁹ Moreover, BBB has not refuted CSXT's claim that BBB has alternative transportation available. Application, Volume I, Pages 11-12. CSXT contends that BBB has the burden to prove that it will suffer substantial harm as the result of CSXT's discontinuance of service over the Line, and that BBB has not met that burden.

⁸ BBB claims that CSXT can recoup the cost of repairing the Bridge based on a return on investment equal to the prime rate. BBB is inviting the Board to reject its revenue adequacy standards and cost of capital calculations in an abandonment proceeding. CSXT strongly urges the Board to reject BBB's use of the prime rate as CSXT's rate of return, and instead comply with the rate of return developed by Ms. Preslar in accord with the Board's abandonment regulations of 14.5%. Using the appropriate rate of return, CSXT may be able to recoup the cost of bridge repair proposed by BBB, but only for the first year of repairs, not the multi-year project foreseen by Mr. Davidson. However, with the traffic projected by BBB, CSXT will never recover the \$214,500 cost of bridge repair that Mr. Davidson believes is necessary, much less the more economical replacement cost of \$360,000 or the combined repair and replacement cost of \$574,500.

⁹ BBB states that it "would be likely to receive 198 carloads per year." Protest at 76. BBB obviously recognizes that the 198 carloads it received in 2000 was a one time spike and that it

Prior to the embargo, when CSXT delivered shipments to BBB, BBB would either unload the lumber and store at its facility for sale by BBB (Protest at 78) (the "lumber operation") or unload it from the railroad car, reload it onto a truck and deliver it to a customer who had ordered the lumber (the "reload operation").

a. BBB has not shown substantial harm to its lumber operation.

BBB has stated that it has found a transportation alternative to direct rail, but at the cost of \$500 per railroad carload for 18 carloads per year. Protest at 78. See also Exhibit 2 to Ms. Preslar's rebuttal verified statement. BBB hired GST Reload to unload rail cars at CNIC's Johnson Yard in Memphis and CSXT's Leewood Yard. But there is no evidence of the cost of this service. Instead of providing the invoices of GST Reload, BBB has provided one invoice from L&D Transport ("L&D"). Protest at 81.

Moreover, the invoice from L&D does not appear to be for the service that BBB claims it received. BBB states that L&D's invoice of \$500 was "for trucking lumber from Leewood Yard to Bellwood Reload." Protest at 78. However, the invoice is for "unloading car from Doman." Protest at 81. CSXT does not recognize Doman as a synonym for Leewood Yard. CSXT urges the Board to conclude that BBB has not presented any evidence of its cost to transload railcars from any of the rail yards in Memphis and deliver them to its facility. Moreover, BBB has not demonstrated why it could not provide the reload service at the yards in Memphis, as it does for its reload customers.¹⁰

will not be repeated. CSXT believes that one of the reasons the harm BBB suggests is overstated is because it will not receive as much traffic in the future as it did in the past.

¹⁰ Since BBB provides this service for customers, it is possible that BBB's cost is less than \$500 per carload, but BBB has not provided any of this information.

Even if BBB incurred additional costs in arranging for a transload service to itself, BBB has an obligation to mitigate the harm. One form of mitigation is the elimination and/or renegotiation of the switch charge. As stated by Ms. Preslar, CSXT charges a switch charge of up to \$250 per car to switch traffic from the yard of another railroad in Memphis to Leewood Yard. That switch charge is absorbed by the other railroad. If BBB were to transload or have a third party perform transloading at the terminating carrier's yard, instead of CSXT's Leewood Yard, it may be able to negotiate a rate reduction or refund since the switch charge would no longer be absorbed.

b. BBB has shown no harm to its reload operation.

BBB claims that prior to the embargo it "would receive carloads of lumber by rail at its place of business, and reload the lumber onto trucks for delivery to retail dealers in the tri-state Memphis area ... who lack the ability to receive lumber directly by rail." Protest at 76. BBB then provides an invoice that it sent to one of its customers for \$500.

CSXT contends that these glib statements have not proven any harm to BBB. BBB has not identified, much less provided every invoice to every reload customer that it serves. Moreover, the \$500 invoice to Tom Eubanks Lumber Company ("Eubanks") (Protest at 80) may represent the cost to Eubanks, but it shows the gross revenue to BBB, not the net revenue.

BBB is wrong when it states that it states it has not used Leewood Yard "as a provider of reload service". Protest at 14, footnote 8. As Exhibit 2 to Ms. Preslar's rebuttal verified statement proves, in three months BBB received at least six carloads at Leewood Yard consigned to another entity for obvious reload for delivery to either 84 Lumber, Continental Timber, Eubanks, Buckeye Pacific, or Smith Lumber.

BBB has left CSXT and the Board to guess at the impact on BBB's net revenue because BBB did not provide any information regarding the costs of its reload operation, or BBB's overall revenues. BBB would like us to believe that it is losing \$500.00 per carload on the reload business. This is impossible, however, since there must be some cost to BBB associated with providing the reload service. Interestingly, BBB chose not to provide any cost evidence. Because of BBB's assertions in the Protest, it is logical to assume that BBB's net cost to perform the reload service is \$500 or more per carload since BBB uses another transloading company to deliver lumber for BBB's lumber operation to BBB from rail yards in the Memphis area. If this is the case, BBB would be losing money on the reload business. Since BBB has the experience and ability to unload a rail car and reload a truck, it follows that it can perform this activity. An economically rational entity would use the lowest cost transportation option. If BBB is rational, then the transloaders it uses for its lumber operation are less costly to BBB than the costs of the reload operation BBB performs for its customers. In that case, BBB is not earning net income in its reload operation. If BBB is not acting in a rational economic manner, then the government should not step in to save BBB from itself.

Finally, BBB has not indicated that it is a licensed motor carrier. However, BBB admits that it is operating in interstate commerce (tri-state area), for hire (invoice to Eubank), and that it is delivering goods to the owners of the goods. (Protest at 77). BBB has not presented sufficient facts to determine whether its reload operation is in compliance with 49 U.S.C. §§ 13501 and 13901.

ARGUMENT

CSXT contends that under 49 U.S.C. §10903, the present and future public convenience and necessity permit the proposed discontinuance of rail service on the Line. It is CSXT's

position that under *Colorado v. United States*, 271 U.S. 153 (1926), that the balance between the harm to affected shippers and the burden of the continued operation on the CSXT and interstate commerce weighs in favor of the discontinuance.

CSXT has demonstrated the burden through an avoidable loss of \$43,802 (prepared in compliance with the Board's abandonment costing regulations), a bridge in need of repair at a cost of \$214,500 (or from an economically rational approach replacement at the cost of \$360,000, which has not been challenged by BBB), and a difficult operation (unrebutted by BBB). CSXT has also demonstrated that BBB has and will suffer no substantial harm, that the harm can be mitigated, and that any harm suffered by BBB does not outweigh the burden of continued operations on CSXT. Inconvenience and increased cost to a shipper will not outweigh demonstrated harm to a railroad. *South Orient RR.—Aban. & Discon. Of Trackage Rights*, 3 S.T.B. 743, 757 (1998)

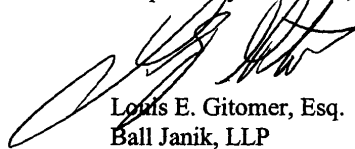
CONCLUSION

The Line has been embargoed since March 1, 2001 due to the failure of the Bridge. It will cost CSXT \$214,500 to temporarily repair the bridge. There is one shipper on the Line who has continued to receive alternate transportation service since the embargo was imposed. In order to serve the Line, CSXT must cross a high density main line under difficult operational circumstances. Based on the operation involved and the traffic available from BBB, CSXT has concluded that it incurs an avoidable loss on the Line.

In light of these factors, CSXT respectfully requests that the Board find that the present and future public convenience and necessity requires and permits the discontinuance of service over the Line. CSXT requests that the Board grant this application for authority to discontinue service over the 1.1-mile rail line portion of its Midwest Region, Nashville Division, Memphis

Terminal between milepost ONI 224.0, at Memphis, TN and milepost ONI 222.9 east of
Memphis, TN.

Respectfully submitted,



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Attorneys for: CSX TRANSPORTATION,
INC.

Dated: September 10, 2002

CERTIFICATE OF SERVICE

The undersigned hereby certifies that the Rebuttal in Docket No. AB-55 (Sub-No. 618),
CSX Transportation, Inc.--Discontinuance—at Memphis, in Shelby County, TN was sent via
overnight delivery to:

Thomas F. McFarland, Esq.
208 South LaSalle Street, Suite 1890
Chicago, IL 60604-1194



Louis E. Gitomer
September 10, 2002

EXHIBIT A

BEFORE THE
SURFACE TRANSPORTATION BOARD

DOCKET NO. AB-55 (SUB-NO. 618)

CSX TRANSPORTATION, INC.
- DISCONTINUANCE -
AT MEMPHIS, IN SHELBY COUNTY, TENNESSEE

REBUTTAL VERIFIED STATEMENT
OF ELLEN M. PRESLAR

My name is Ellen M. Preslar. I am the same Ellen M. Preslar who previously sponsored a verified statement in this proceeding which was filed with the Applicant's Opening Statement of Facts and Argument, dated July 10, 2002.

The purpose of this rebuttal verified statement is to address certain issues raised in the protest filed by Bolen-Brunson-Bell Lumber Company, Inc. (BBB), on or about August 23, 2002 (the "Protest"). In this statement, I will address certain avoidable cost issues raised by BBB including: (1) return on value of freight cars; (2) use of bridge repair costs; and (3) return on value of rail line assets. I will also address the costing of reciprocally switched cars in light of the actual operations required to deliver these cars to BBB. Attached is Revised Exhibit 1, setting out the unchanged avoidable revenues and revised avoidable costs relative to the discontinuance of service over the 1.1-mile line between milepost ONI 224.0 and milepost 222.9 (the "Line"). Finally, I will address evidence of recent BBB transloading at CSXT's Leewood Yard.

A. Recalculation of Avoidable Costs.

(1) Return on Value of Freight Cars.

In Exhibit 1 to the discontinuance application, I developed freight car costs as allowed by the regulations. However, BBB pointed out that "... ownership costs would not be applied to

foreign-owned cars [when] a very substantial majority of the cars used on the branch were foreign-owned." *CSX Transportation, Inc. – Aban. – in Thomas and Colquitt County, GA*, ICC Docket No. AB-55 (Sub-No. 181), (ICC served June 8, 1987). However, simply removing the return on value for freight cars in items 5(i) and 6(b) of Exhibit 1, as done by BBB in the Protest at page 7, understates car costs because there are car costs involved. Therefore, use of foreign-car per diem and mileage costs in items 5(g) and 6(a) of Revised Exhibit 1 would be more appropriate in this cost analysis. As such, I have restated freight car costs, both on-branch (item 5(g)) and off-branch (item 6(a)), to reflect use of UMLER rates for the specific foreign cars.

In preparing this change, I became aware of an inadvertent error on my part: I used the on-branch miles column from my data printout in place of the on-branch days column which was adjacent to it. I have corrected that error within the recalculation of foreign freight car costs.

(2) Use of Bridge Repair Costs.

Bridge repair costs have been retained in the subsidy year calculation. In order to operate over the bridge at milepost 223.3, CSXT must make those repairs.

(3) Return on Value of Rail Line Assets.

Although opportunity costs are not applicable in the forecast year period, CSXT does believe that such costs are applicable in the subsidy year period. If the line were to be subsidized, the inclusion of opportunity costs in the calculation of the annual subsidy would be appropriate because subsidization limits the railroad's options to only one option: continued service. A subsidy would restrict CSXT from realizing potential opportunities during the subsidy period. Therefore, I have not changed the return on value of rail line assets.

B. Costing of Reciprocally Switched Cars.

The accompanying rebuttal verified statement of Mr. Greg Wallen explains CSXT's actual operation required to deliver cars to Leewood Yard in order to forward them to BBB (as explained in the application by Mr. Donnie Moore). In my previous analysis, I did not factor in the costs required to move cars from other Class I rail yards in the Memphis area to CSXT's Leewood Yard. For purposes of the initial application, I only incorporated the costs incurred in delivering cars to BBB from the time that the cars had arrived in Leewood Yard. Upon further information, that analysis significantly underestimated the actual costs incurred in serving BBB. Because no local transfer service is available in the Memphis area, cars delivered to either the BNSF, UP or CN/IC yards (the majority of the traffic) for ultimate delivery to BBB are taken by CSXT on through trains all the way to Nashville where they are humped and placed on a train destined for Leewood Yard. Because of this operation, I have added off-branch costs that were not previously included in my analysis. Specifically, I have added line-haul costs (miles from Memphis to Nashville and back to Memphis), switching costs (interchange at Memphis and I&I at Nashville), and clerical costs (CLOR, per carload) for the 144 switched cars in the base year and the forecast/subsidy year periods to the total off-branch costs.

C. BBB Reloading Business.

I reviewed CSXTs' waybill files for all cars of lumber forwarded to Leewood Yard for BBB's account in the past three months (June, July and August 2002). The attached Exhibit 2 shows the car number, dates the car was placed and pulled for BBB at Leewood Yard, switch or line-haul waybill identification, and the consignee. As can be seen, BBB was not the consignee on any of these cars. These cars were being delivered in care of BBB for transloading to the consignee. As BBB said "BBB would receive carloads of lumber by rail at its place of business,

and reload the lumber onto trucks for delivery to retail dealers in the tri-state Memphis area ... who lack the ability to receive lumber directly by rail.” Protest at 76. According to this data, BBB is still receiving railcars and reloading lumber for retail dealers who lack direct rail service, not at its place of business, but in Leewood Yard.

D. Return on Investment Finally, as noted in my initial verified statement in this proceeding, CSXT must be permitted to earn a 14.5 percent rate of return on its investment in the Line, as directed by 49 CFR 1152.34, not the prime rate as proposed, without justification, by BBB.

EXHIBIT 1

CSX Transportation, Inc. – Discontinuance of Service
Line Segment: Memphis, TN (Mileposts 0NI 222.9 to 0NI 224.0)

REVISED: includes off-branch costs associated with handling of switch moves; changes car cost to foreign car per diem; excludes bridge rehab in forecast year.				
	O/T --	Base Year* (Yr 2000)	Forecast Year (Begin 06/01/02)	Projected Subsidy Year (End 09/30/03)
	Switch --	54 CL	54 CL	54 CL
		144 CL	144 CL	144 CL
Revenues Attributable				
1. Freight Originated &/or Terminated On Branch		\$ 89,896	95,290	97,088
2. Bridge Traffic		-	-	-
3. All Other Revenue and Income		31,088	34,705	34,705
4. Total Revenues Attributable (Lines 1 thru 3)		\$ 120,984	\$ 129,995	\$ 131,793
Avoidable Costs				
5. Total On-Branch Costs (Lines 5a thru 5k)		\$ 30,656	\$ 30,505	\$ 30,615
a. Maintenance of Way and Structures		5,500	5,500	5,500
b. Maintenance of Equipment - Locomotives		938	1,044	1,052
c. Transportation		7,386	7,246	7,293
d. Joint Facilities		-	-	-
e. Deadheading, Taxi and Hotel		-	-	-
f. Overhead Movement		8,972	8,924	8,979
g. Freight Car Costs (o/t Return on Freight Cars)		7,213	7,213	7,213
h. Return on Value - Locomotives		647	578	578
i. Return on Value - Freight Cars		-	-	-
j. Revenue Taxes		-	-	-
k. Property Taxes		-	-	-
6. Total Off-Branch Costs (Lines 6a and 6b)		\$ 134,130	\$ 136,773	\$ 138,032
a. Off-Branch Costs (o/t Return on Freight Cars)		134,130	136,773	138,032
b. Return on Value - Freight Cars		-	-	-
7. Total Avoidable Costs (Lines 5 and 6)		\$ 164,786	\$ 167,278	\$ 168,647
Subsidization Costs				
8. Rehabilitation		xxxx	xxxx	214,500
9. Administration Costs		xxxx	xxxx	1,318
10. Casualty Reserve Account		xxxx	xxxx	-
11. Total Subsidization Costs (Lines 8 thru 10)		xxxx	xxxx	\$ 215,818
Return on Value				
12. Valuation of Property (Lines 12a thru 12c)		xxxx	N/A	\$ 95,444
a. Working Capital		xxxx		9,764
b. Income Tax Consequences		xxxx		(50,320)
c. Net Liquidation Value		xxxx		136,000
13. Nominal Rate of Return		xxxx		14.5%
14. Nominal Return on Value (Line 12 * Line 13)		xxxx		13,839
15. Holding Gain (Loss)		xxxx		4,352
16. Total Return on Value (Line 14 less Line 15)		xxxx	\$ -	\$ 9,487
17. Avoidable Loss from Operations (Line 7 less Line 4)		\$ 43,802	\$ 37,283	\$ 36,854
18. Estimated Forecast Year Loss from Operations (Lines 7 and 16 less Line 4)			\$ 37,283	
19. Estimated Subsidy Year Loss from Operations (Lines 7, 11 and 16 less Line 4)				\$ 262,159

EXHIBIT 2

CAR	Demurrage Record		Waybill Record			Consignee
	Date Placed	Date Pulled	Number	Date	Switch Charge	
GVSF 783050	06/04	06/05	605743	5/21/2002	\$ 250	84 Lumber c/o BBB
CP 316830	06/05	06/07	790331	5/16/2002	L/H	Continental Timber c/o BBB
TTZX 85771	07/03	07/09	410541	6/18/2002	\$ 250	Eubanks Lumber c/o BBB
TTZX 85942	07/03	07/09	410432	6/18/2002	\$ 250	Eubanks Lumber c/o BBB
TTZX 862842	07/13	07/15	540624	6/27/2002	N/A	Eubanks Lumber -- WB Voided (?)
HLSC 3054	07/17	07/24	234127	6/6/2002	\$ 250	Buckeye Pacific c/o delivery switch
TTZX 84724	07/20	07/24	461961	7/5/2002	L/H	Continental Timber c/o BBB
HLSC 3079	08/02	08/10	165375	7/13/2002	\$ 250	Smith Lumber c/o BBB

EXHIBIT 3

Workpapers

FILE NAME: MISDATA
REPORT NO: 2
NOTE TYPE: SINGLE

TERMINATING TRAFFIC
YEAR 2000
CSX TRANSPORTATION, INC. - URC00/C00

09/03/02
1

LEWIS - MEMPHIS, TN (BBB ONLY)

ORIGIN	ONCOMING	JUNCTION	DESTINATION	CT	WAYBILL	WAYBILL	DATE	CARS	TONS	OFFER	CSX DIV	OFF BR	OFF BR	OFF BR	OFF BR
					NUM	DATE				MILES		COST	FC COST	RET-FC	RET-FC
ONHALLOR	DETORS	MEMPHIS		02	343826	000330		1	73	795	1,595	826	123	0	0
*TOTAL CX 02								1	73		1,595	826	123	0	0

ONHALLOR	DETORS	MEMPHIS	03	813853	000629		1	93	662	1,649	824	49	0	0	0
ONHALLOR	DETORS	MEMPHIS	03	353956	001022		1	73	795	1,659	874	138	0	0	0
ONHALLOR	DETORS	MEMPHIS	03	353957	001022		1	73	795	1,659	874	138	0	0	0
ONHALLOR	DETORS	MEMPHIS	03	354143	001025		1	89	795	1,980	958	169	0	0	0
ONHALLOR	DETORS	MEMPHIS	03	859934	000131		1	70	795	1,197	858	122	0	0	0
ONHALLOR	DETORS	MEMPHIS	03	797351	000621		1	79	795	1,335	905	145	0	0	0
ONHALLOR	DETORS	MEMPHIS	03	843573	000721		1	80	795	1,335	911	169	0	0	0
ONHALLOR	DETORS	MEMPHIS	03	857907	001107		1	70	795	1,335	911	169	0	0	0
ONHALLOR	DETORS	MEMPHIS	03	720812	000518		1	70	795	1,161	858	122	0	0	0
ONHALLOR	DETORS	MEMPHIS	03	796521	000621		1	75	795	1,593	885	111	0	0	0
ONHALLOR	DETORS	MEMPHIS	03	353981	001023		1	89	795	1,941	958	83	0	0	0
ONHALLOR	DETORS	MEMPHIS	03	354436	001031		1	91	795	1,941	968	84	0	0	0
ONHALLOR	DETORS	MEMPHIS	03	787076	000323		1	74	795	749	56	49	0	0	0
*TOTAL CX 03							13	1,036		19,573	10,840	1,521	0	0	0

BCFORSTJOH	CHOCNSF	MEMPHIS	14	607132	000329		1	91	662	2,488	808	159	0	0	0
BCFORSTJOH	CHOCNSF	MEMPHIS	14	607133	000329		1	91	662	2,488	808	159	0	0	0
BCFORSTJOH	CHOCNSF	MEMPHIS	14	857510	000129		1	97	662	1,945	834	169	0	0	0
ONHALLOR	DETORS	MEMPHIS	14	857647	000420		1	70	662	1,514	717	116	0	0	0
ABASLEMON	CHOCNSF	MEMPHIS	14	180373	001103		1	99	662	1,942	843	198	0	0	0
BCFORSTJOH	CHOCNSF	MEMPHIS	14	238681	000622		1	65	662	1,032	695	70	0	0	0
ONHALLOR	DETORS	MEMPHIS	14	865103	000203		1	99	662	1,912	843	105	0	0	0
ONHALLOR	DETORS	MEMPHIS	14	108785	000606		1	99	662	1,910	843	99	0	0	0
ONHALLOR	DETORS	MEMPHIS	14	148589	001102		1	99	662	1,910	843	99	0	0	0
ONHALLOR	DETORS	MEMPHIS	14	149974	001103		1	99	662	1,910	843	132	0	0	0
ONHALLOR	DETORS	MEMPHIS	14	206909	000712		1	89	662	2,105	799	132	0	0	0
ONHALLOR	DETORS	MEMPHIS	14	184531	001024		1	60	662	2,044	673	132	0	0	0
ONHALLOR	DETORS	MEMPHIS	14	187454	001031		1	60	662	2,230	673	105	0	0	0
ONHALLOR	DETORS	MEMPHIS	14	195012	001121		1	60	662	2,230	673	132	0	0	0
ONHALLOR	DETORS	MEMPHIS	14	790974	991230		1	87	795	1,512	939	78	0	0	0
ONHALLOR	DETORS	MEMPHIS	14	860723	000201		1	98	795	1,514	996	235	0	0	0
ONHALLOR	DETORS	MEMPHIS	14	830586	000410		1	75	795	1,513	876	155	0	0	0
ONHALLOR	DETORS	MEMPHIS	14	742968	000529		1	93	795	1,615	970	123	0	0	0
ONHALLOR	DETORS	MEMPHIS	14	875519	001114		1	96	795	1,615	986	180	0	0	0
ONHALLOR	DETORS	MEMPHIS	14	807935	000109		1	100	795	1,513	1,007	155	0	0	0
ONHALLOR	DETORS	MEMPHIS	14	725508	000228		1	100	795	1,513	1,007	213	0	0	0
ONHALLOR	DETORS	MEMPHIS	14	850821	001103		1	77	795	1,513	887	116	0	0	0
ONHALLOR	DETORS	MEMPHIS	14	864912	000202		1	94	795	1,515	975	213	0	0	0

2
09/03/02

CSX TRANSPORTATION, INC. - URCS00/C00

28

FILE : U9320.FOC.MISBAN.TM66BB
 PERIOD: Y2000
 REPORT: MISBBERG

TERMINATING TRAFFIC
 CSX TRANSPORTATION, INC.

08/29/02 1

MEMPHIS, TN (BBB)

CONSIGNEE	ORIGIN	JUNCTION	CARS	CAR	R1	PERIOD	COATS	MILEAGE	ON-BR	PER DIEM	MILEAGE	TOTAL
					CT				MILES			CAR COST
ALBUQUITO	BOHUSTON	CHOCON	1	CNA 623002	14	.91	8	.0610	1	174	0	174
	ONNAKINA	DETCON	1	CN 625051	14	.60	9	.0300	1	129	0	129
*TOTAL CONSIGNEE ALBUQUITO			2				17		2	303	0	303
BLOMBER	POVALDOR	DETCON	1	CN 557414	03	.55	9	.0600	1	118	0	118
*TOTAL CONSIGNEE BLOMBER			1				9		1	118	0	118
BOLARUBEL	ABASEMONT	CHOCERS	1	NOKL733968	14	.70	9	.1500	1	151	0	151
	BCEFORSTUON	CHOCENSE	1	BC17871247	14	.84	9	.0600	1	181	0	181
			1	BC17871225	14	.84	6	.0600	1	120	0	120
	PONORAMANDIN	MEMPHIC	1	CNA 598589	03	.00	2	.0000	1	0	0	0
*TOTAL CONSIGNEE BOLARUBEL			4				26		4	452	0	452
BUCPACIFI	PODOLABAU	DETCON	1	CN 624040	14	.95	9	.0700	1	205	0	205
*TOTAL CONSIGNEE BUCPACIFI			1				9		1	205	0	205
BUFIASB3	MELACKMAN	DETCHRS	1	NVR 001004	14	.70	9	.1500	1	151	0	151
	ONDBREUTIV	CHOCNC	1	SSAM038773	14	.65	9	.0600	1	140	0	140
	ONHIDSON	DETCON	1	CNA 554956	03	.60	9	.0670	1	129	0	129
	ONSAPANE	CHOCON	1	DMC 605058	14	.59	9	.0490	1	127	0	127
	ONTRUBAY	DETCHRS	1	NOKL733922	14	.70	9	.1500	1	151	0	151
	ONVERBAY	CHOCERS	1	CP 319048	14	.60	9	.0300	1	129	0	129
	POCAPDELAMA	DETCHRS	1	NOKL733169	14	.70	9	.1500	1	151	0	151
			1	NOKL733123	14	.70	7	.1500	1	117	0	117
	POCHAPAIS	DETCON	1	GTW 375614	03	.77	9	.0710	1	166	0	166
			1	CN 598196	03	.88	9	.0850	1	190	0	190
	POMONTOLI	DETCON	1	CN 623309	14	.95	9	.0700	1	205	0	205
	HUNTON		1	CN 623812	14	.95	9	.0700	1	205	0	205

FILE : 09320.FOC.MISABAN.TWMEBB
 PERIOD: Y2000
 REPORT: MISBBRG

TERMINATING TRAFFIC
 CSX TRANSPORTATION, INC.

08/29/02 2

MEMPHIS, TN (BBB)

CONSIGNEE	ORIGIN	JUNCTION	CARS	CAR	CT	PERIOD	CLAS	MILEAGE	ON-BR	PER DIEM	MILEAGE	TOTAL
									MILES			CAR COST
BUFIRESG	POSALJEAPOR	DETCH	1	CN 625133	14	.80	9	.0600	1	172	0	172
	MEMPHIS		1	TTX864815	14	.70	2	.0000	1	33	0	33
*TOTAL CONSIGNEE BUFIRESG			14			117			14	2,066	0	2,066
CASMPIRE	POCAUSARCA	DETCH	1	TTX084836	14	.70	2	.0000	1	33	0	33
*TOTAL CONSIGNEE CASMPIRE			1			2			1	33	0	33
ENTRADIN	BOSLOCITY	CHOCERS	1	CP 316702	14	.27	9	.0490	1	58	0	58
*TOTAL CONSIGNEE ENTRADIN			1			9			1	58	0	58
RICINTFOR	ONBARWICK	CHOCWC	1	IFT 019670	03	.17	9	.0490	1	36	0	36
*TOTAL CONSIGNEE RICINTFOR			1			9			1	36	0	36
SMIMANIPA	NBCAMPBELL	DETCH	1	CNA 623750	14	.00	2	.0000	1	0	0	0
*TOTAL CONSIGNEE SMIMANIPA			1			2			1	0	0	0
TALTBELUM	ONVERBAY	CHOCERS	1	TTX862491	14	.70	5	.0000	1	83	0	83
*TOTAL CONSIGNEE TALTBELUM			1			5			1	83	0	83
VIKFORPRO	ONSTATFORD	DETCH	1	CN 623983	14	.95	9	.0700	1	205	0	205
*TOTAL CONSIGNEE VIKFORPRO			1			9			1	205	0	205
84LUMBER	MELEVESQUE	DETCHRS	1	NVR 001025	14	.70	9	.1500	1	151	0	151
	MEVANBUREN	DETCHRS	1	LM 075057	14	.90	9	.0700	1	194	0	194
	NBSAINTJOHN	DETCHRS	1	NOKU733516	14	.92	9	.0700	1	198	0	198
			1	UMP 732624	14	.85	9	.0500	1	183	0	183
	NSTRURO	DETCH	1	NOKU734138	14	.70	9	.1500	1	151	0	151
			1	CN 624506	14	.65	9	.0600	1	140	0	140
ONENGEHART	DETCH		1	CNA 554230	03	.68	9	.0750	1	146	0	146

FILE : U9320.FCC.MISABAN.TNMEMBER
 PERIOD: Y2000
 REPORT: MISBBFG

TERMINATING TRAFFIC
 CSX TRANSPORTATION, INC.

08/29/02 3

MEMPHIS, TN (BBB)

CONSIGNEE	ORIGIN	ONCOMING JUNCTION	CARS	CAR	CT	PER HOUR	COAYS	MILERATE	ON-BR MILES	PER DIEM	MILEAGE	TOTAL CAR COST
84LUMBER	ONERJEBART	DETCH	1	CNA 553098	03	.55	9	.0600	1	118	0	118
			1	CN 598111	03	.88	9	.0850	1	190	0	190
		DETCERS	1	MILM006255	03	.34	9	.0560	1	73	0	73
ONHALLOR		DETCERS	1	SLR 002327	02	.66	6	.0630	1	95	0	95
			1	CP 205218	03	.30	5	.0630	1	35	0	35
ONNALBN		DETCERS	1	CP 318194	14	1.05	9	.0640	1	226	0	226
			1	CP 318276	14	1.05	9	.0640	1	226	0	226
ONNAKINA		DETCH	1	CN 625436	14	.80	8	.0600	1	153	0	153
ONSAUSTEMAR	CHOCMC		1	SSAM038607	14	.65	9	.0600	1	140	0	140
			1	SSAM038671	14	.60	9	.0300	1	129	0	129
			1	SSAM038757	14	.65	6	.0600	1	93	0	93
ONSTRATFORD	DETCH		1	CN 624528	14	.65	9	.0600	1	140	0	140
ONVERBATTER	CHOCERS		1	TTXX864214	14	.70	4	.0000	1	67	0	67
			1	AM 001312	14	.65	8	.0600	1	124	0	124
POCHAPALS	DETCH		1	CNA 794823	03	.88	9	.0850	1	190	0	190
POJONQUIERE	DETCH		1	CN 624607	14	.60	9	.0300	1	129	0	129
POMATAGAMI	DETCH		1	TTXX861443	14	.75	9	.0000	1	162	0	162
POQUEVILLON	DETCH		1	TTXX085552	14	.75	4	.0000	1	72	0	72
POVALDOR	DETCH		1	CNA 555049	03	.60	9	.0670	1	129	0	129
*TOTAL CONSIGNEE 84LUMBER			26			212			26	3,654	0	3,654
TOTAL			54			426			54	7,213	0	7,213

OFF-BRANCH COST DEVELOPMENT -- Adjustments

LINE SEGMENT: Leewood Yard - Memphis, TN (BBB only)

PERIOD: Year 2000

COST LEVEL: CSX00S (CSXT 2000 URCS, 2000 Freight Car Costs; single car)

INPUT DATA: Car Type

	02	03	14	Total
O/T CLs	1	13	40	54
Switch CLs (BBB)	3	34	107	144
Cars per Waybill	1	1	1	
Off-branch Miles / CL (Yd)	2	2	2	
Off-branch Miles / CL (Swt)	466	466	466	
Total Net Tons (O/T)	73	1,036	3,568	4,677

Exclude all Line-haul costs for the 2 miles between Leewood and Aulon (to be captured as on-branch costs, overhead to the segment at issue).

Unit Costs:

LH_A	GTM	0.186966	0.212911	0.206515
LH_B	GTM	0.003049	0.003049	0.003049
LH_C	LUM	16.9156	17.4487	17.8648
LH_D	TM	15.0304	15.5041	15.8738
LH_E	SEM (I&I)	0.091598	0.094484	0.096737
LH_ALLOC1		0.0067674	0.007471	0.0070778
LH_ALLOC2		0.0001104	0.000107	0.0001045

Line-Haul Costs to be excluded:

Mileage -- LH_A + LH_E + LH_ALLOC1 * (LH_C + LH_D)	0.40620636	0.462150369	0.448359063
	0.81	12.02	35.87

Ton-Mile -- LH_B + LH_ALLOC2 * (LH_C + LH_D)

	0.006575838	0.00657495	0.006574684
	0.96	13.62	46.92

TOTAL LH COSTS:	1.77	25.64	82.79	110.20
-----------------	------	-------	-------	--------

GTM Costs related to Track Ownership Maintenance to be added back:

Adjust GTM unit costs to include D-1 GTM costs only 0.001661435

Tare Wt	32.7	36.1	34.2
LH_A	assuming 100% ERR and tare wts shown		
	0.10866	0.11996	0.11364
Mileage	0.22	3.12	9.09
LH_B	0.001661435	0.001661435	0.001661435
Ton-Mile	0.24	3.44	11.86
GTM Maint Costs:	0.46	6.56	20.95
			27.97

OFF-BRANCH COST DEVELOPMENT -- Adjustments

LINE SEGMENT: Leewood Yard - Memphis, TN (BBB only)

PERIOD: Year 2000

Costs related to reciprocal switching traffic not captured elsewhere:

Switched Carloads	3	34	107	144
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GTM Costs related to Track Ownership Maintenance (overhead to segment) --

Mileage	50.63	55.90	52.96	
Ton-Mile	56.52	61.70	69.06	
Total	321.46	3,998.38	13,055.97	17,375.81

Switching Costs --

Interchange	30.23	31.19	31.93	
I&I	18.32	18.90	19.35	
Modified Terminal	19.47	19.47	19.47	
Total	204.06	2,364.75	7,569.79	10,138.60

Other Mileage-related Costs --

Other GTM	83.69	94.85	100.96	
LUM	116.87	130.08	136.52	
TM	103.85	115.58	121.31	
Total	913.24	11,577.45	38,390.23	50,880.93

Clerical Costs --

CLOR	1.7603			253.48
------	--------	--	--	--------

Total Additional Off-branch Costs for Switched Moves

78,648.83

(No car cost is calculated here; therefore, these numbers are applicable for base year and forecast / subsidy years.)

----- FROM STATION ----- TO STATION -----

MILEPOST 00F377

MILEPOST 000190

FULL CITY MEMPHIS

ST TN FULL CITY NASHVILLE

ST TN

----- STATE MILES -----

AL	0	CT	0	PA	0
MA	0	MD	0	SC	0
DC	0	MI	0	TN	233
DE	0	MO	0	VA	0
FL	0	MS	0	WI	0
GA	0	NC	0	WV	0
IL	0	NJ	0	PQ	0
IN	0	NY	0		
KY	0	OH	0		
LA	0	ON	0		

----- DIVISION MILES -----

AP	0	AT	0	AY	0	BA	0	CB	0
CG	0	CO	0	CW	0	DE	0	DZ	0
EN	0	FL	0	HU	0	IN	0	JN	0
JX	0	JZ	0	LO	0	MO	0	NS	233
PZ	0	TA	0	WI	0	AE	0	GL	0

----- REGION MILES -----

C	0	N	0	S	0	M	233	W	0
O	0	U	0	J	0				

TOTAL MILES 233

NEXT FUNCTION

MESSAGE MSG 008: MILEAGE COMPUTED ! ! !

VERIFICATION

I, Ellen M. Preslar, verify under penalty of perjury under the laws of the United States that the foregoing is true and correct. Further, I certify that I am qualified and authorized to file this Verified Statement.

Executed September 5, 2002

Ellen M. Preslar
Ellen M. Preslar

EXHIBIT B

BEFORE THE
SURFACE TRANSPORTATION BOARD

DOCKET NO. AB-55 (SUB-NO. 618)

CSX TRANSPORTATION, INC.
- DISCONTINUANCE -
AT MEMPHIS, IN SHELBY COUNTY, TENNESSEE

REBUTTAL VERIFIED STATEMENT
OF LEEROY DAVIDSON

My name is Leeroy Davidson. I am the same Leeroy Davidson who previously sponsored a verified statement in this proceeding which was filed with the Applicant's Opening Statement of Facts and Argument, dated July 10, 2002.

The purpose of this statement is to address certain issues raised in the protest filed by Bolen-Brunson-Bell Lumber Company, Inc. (BBB), on or about August 23, 2002 (the "Protest"). The Protest calls into question my conclusions regarding the condition of the bridge located at Milepost ONI 223.3 (the "Bridge") and my estimate of repair costs. I have reviewed the Protest and carefully analyzed the verified statement and inspection report prepared by Harvey H. Stone. I do not agree with the assessment made by Mr. Stone as will be more fully set out below in this rebuttal verified statement.

A. Qualifications

In general, I am very familiar with the Bridge because it has been in my area of responsibility since 1999. Since the beginning of 2001, I have inspected the Bridge at least

five times, the most recent time being August 28, 2002.¹ I have been involved with railroad bridge maintenance for 32 years and have worked on thousands of bridges of this type. At this time, I am presently in charge of over 250,000 linear feet of bridges, including forty-five thousand linear feet of timber bridges. I am tasked with ensuring that the CSXT employees traversing the bridges can do so safely. I take this job very seriously.

Although Mr. Stone may be a qualified engineer, his credentials do not suggest that he has had ultimate responsibility for bridge maintenance or for ensuring employee and community safety like myself. Mr. Stone alleges to have performed certain bridge inspection projects for railroads that I can only classify as "shortlines" since I am not familiar with any of them personally. CSXT is a Class I railroad and likely has different standards than the shortlines. Mr. Stone may not be familiar with such standards as CSXT has never utilized his services to the best of my knowledge.

When I engage an outside contractor to assist with timber bridge projects, I tend to hire Osmose, Inc. ("Osmose"), a reputable company with experience dealing with CSXT bridge projects as well as bridge projects for other Class I railroads.

B. Bridge Condition

1. General

The Protest takes exception with my repair estimate by arguing that CSXT would basically be rebuilding the entire Bridge (other than the pilings), not repairing it. Because the Bridge is in such deplorable condition, I actually suggest a complete rebuild as

¹ Pages 8, 10, 12, and 14 of CSXT's Fundamentals of Railroad Bridge Inspection are attached as Exhibit 1. These pages were made available to BBB and the Surface Transportation Board in *CSX Transportation, Inc.—Abandonment Exemption—(Between Memphis and Cordova) in Shelby County, TN*, STB Docket No. AB-55 (Sub-No. 590X). Had BBB requested this information, it would have been provided as other information was.

opposed to a repair since the repairs necessary are so extensive. For purposes of the discontinuance application, however, I estimated the repair cost even though in reality, CSXT believes that replacement of the Bridge would likely be the most prudent course of action in terms of safety and economics.

It appears to me that Mr. Stone was hired to opine as to the absolute minimum repairs necessary for a train to utilize the Bridge. This is not the repair standard followed by CSXT. Mr. Stone has basically suggested a "patch-job" that would create the need for constant maintenance for the foreseeable future until such time as the Bridge is replaced. Although cheaper in the short term, this approach is not cost effective in the long run. To avoid the need to make frequent repairs, CSXT would repair the Bridge so that it would be functional for ten years without the need to perform further periodic work. Therefore, our estimate of costs includes all costs necessary to be spent to put the Bridge back into service for ten years. The "minor" repairs suggested by Mr. Stone would not allow the Bridge to remain useful for ten more years. On the contrary, the Stone repairs may only last for one year or less. As a result, performing the Stone repairs only would necessitate the need for CSXT to make periodic repairs to the Bridge. Perhaps this is the way shortlines operate but it is not the way that CSXT does business. CSXT has strict standards for these types of projects.

The Protest also argues that if you make the significant repairs recommended by CSXT, then you would basically have a new bridge that would last for another 40 or 50 years. Unfortunately, that is not the case. Although the new components in and of themselves would arguably last for 40 to 50 years, if we only do the repair work suggested, the pilings left in place (the foundation of the Bridge) would still be old and

would fail within 10 years. At that time, the remainder of the substructure would have to be replaced. The deck and stringers rest on the pilings (see the attached diagram of a bent in Exhibit 2). You would be required to tear the Bridge completely apart to accomplish this. Since the pilings will eventually fail, CSXT believes that it would be more cost effective to go ahead and replace the Bridge.

One final note with regard to the pilings, I do believe that the pilings are small but at the present time they do fall within the CSXT guidelines. The width of the pilings, however, is relevant due to the significant decay of the pilings which can affect load-bearing capacity.

Mr. Stone contends that we did not provide the Board all of the Bent information in the Application. The Bents should have been numbered from 0 through 10, instead of 1 to 11. Because of the numbering, Bent six was duplicated and marked both six and seven. Then Bents eight through 11 were numbered wrong. Bent seven in the Application, Volume III, Page 91 should be deleted and Bents eight through 11 should be renumbered seven through 10. Application, Volume III, Pages 92-95.

2. Stringers

The Protest attempts to demonstrate that CSXT added in costs to replace stringers that do not exist. That is simply not the case. Although I should have been clearer in my earlier statement, the information submitted was correct. The point regarding the stringers highlights certain CSXT standards that Mr. Stone has not complied with in projecting his repairs. When a bridge is in as poor of a condition as the Bridge, CSXT makes repairs in accordance with its current design standards. See Application Volume III. CSXT's current standards require 11 stringers per panel. The Bridge currently

contains only 8 stringers per panel. As such, CSXT would not only replace all existing stringers but would add 3 additional stringers per panel.

The structure that is there today is very substandard for CSXT. CSXT would not replace the bridge top with the current type of design. As indicated above, we would go to a CSXT standard of 11 stringers per panel. In addition, 10 stringers would be used to rebuild the timber backwalls that are deteriorated. This is actually a total of 120 stringers.

One of the biggest differences between my opinion based on the CSXT standards and the Stone report relates to the aforementioned stringers. Where I believe that approximately 120 stringers need to be replaced/added, Mr. Stone recommended replacing 13 of the stringers. I believe that only replacing 13 stringers would be a substandard repair job to say the least, and the Bridge would not be safe to operate over. CSXT's inspection revealed that 36 stringers out of the 84 existing stringers are "rejects" and should be replaced. Reject stringers are stringers that are 50 percent or less effective. Therefore, approximately 42 percent of the stringers are less than 50 percent effective in my opinion and therefore, the Bridge is not safe to carry traffic. Although the remaining stringers are each individually more than 50 percent effective, the combined deterioration and their poor condition, this Bridge is not in a condition to run any traffic over at this time absent very extensive repairs. The remaining stringers will all become rejects within 10 years and have to be replaced. It will be more cost effective and efficient now to replace all of the stringers and add those necessary to bring the Bridge up to CSXT standards than to replace 36 stringers today and the remaining 48 over 10 years, as well as add the 36 stringers needed to bring the Bridge up to CSXT standards.

One reason that Mr. Stone may not have been able to identify all of the problems with the bridge is that Mr. Stone did not use the drilling method that was employed by CSXT. CSXT actually drilled the stringers and the other timber on the Bridge to find internal decay, where Mr. Stone did not. A comparison of my more detailed inspection of the stringers compared to Mr. Stone follows.

In Panel 1, Mr. Stone's inspection determined that none of the stringers were rejects, while CSXT's more detailed inspection identified three stringers that were rejects because they were 80 to 90 percent decayed (stringers two, three, and eight). In Panel 2, Mr. Stone's inspection revealed that only one stringer was a reject. CSXT's more detailed inspection revealed that stringers one, two, three, four, and five are all rejects due to deterioration in excess of 50 percent. In Panel 3, Mr. Stone found two stringers that were rejects, while CSXT's more detailed inspection revealed that stringers one, two, four, seven, and eight all are rejects. In Panel 4, Mr. Stone's inspection revealed that two stringers were rejects. CSXT's more detailed inspection, however, found that stringers one, four, seven, and eight were rejects. For Panel 5, Mr. Stone does not believe that any stringers are rejects, whereas CSXT's more detailed inspection revealed that three stringers are rejects (two, four, and seven). With regard to Panel 6, Mr. Stone determined that none of the stringers are rejects; CSXT's more detailed inspection revealed that in actuality, stringers four, five, six, and eight are rejects. In Panel 7 Mr. Stone's inspection revealed that two stringers are rejects. CSXT's more detailed inspection, however, indicated that stringers four, five, six, and eight are rejects. For Panel 8, Mr. Stone's inspection agrees with CSXT's opinion that only one stringer is a reject at this time (stringer seven). For Panel 9, Mr. Stone's inspection agrees with

CSXT's opinion that three stringers are rejects (stringers one, six, and eight). In Panel 10, Mr. Stone's inspection determined that only one stringer is a reject, where CSXT's more detailed inspection revealed that actually stringers one, three, five, and eight all are rejects.

The substantial disparity between the results of Mr. Stone's analysis of the stringers and CSXT's inspection causes me to question the validity of Mr. Stone's entire inspection and report.

3. Flooring

The other major area of disagreement was the flooring. Mr. Stone does not believe that the flooring on the Bridge requires replacement. Regardless of the condition of the flooring (based on its inspection, CSXT believes that the flooring itself is decayed), it would need to be replaced even if only the repairs suggested by Mr. Stone were undertaken. In order to do the type of work contemplated (replacing the stringers under the flooring, etc.); the flooring would need to be removed completely from the Bridge. Removing the flooring will cause further damage to the already deteriorating flooring. Because the flooring is necessary to hold ballast and ballast curb at the edge of the flooring and the edges are deteriorated, we could not rebolt a ballast curb and expect it to remain safely in place on the old flooring. The support would be insufficient. As a result, the flooring requires replacement.

4. Unit Costs

There are several areas of differences on the estimated unit costs for this project. One potential reason may be that the shortline railroads Mr. Stone is familiar with may be eligible for cheaper labor rates. CSXT generally uses contract labor to perform our work,

and that could constitute some of the difference in the unit cost. CSXT's unit cost estimates are based on my thirty-two years of work experience with railroad bridge, maintenance but they are only estimates. It could cost a little more or a little less, but they are good faith estimates of what it would cost to put this Bridge back into service at a safe level for a reasonable period of time.

Finally, CSXT actually asked Osmose, our outside contractor, to inspect the Bridge at the beginning of 2002. Although Osmose did not perform a highly detailed inspection, they did do some drilling during their inspection. Like CSXT, Osmose also recommends that the Bridge be replaced as a result of the "severe decay" and "section loss due to fire." If the Bridge were to be repaired to last an additional 10 years, however, Osmose estimated that it could actually cost \$265,000.00 to perform the necessary repairs (see attached Exhibit 3).

VERIFICATION

I, Leeroy Davidson, verify under penalty of perjury under the laws of the United States that the foregoing is true and correct. Further, I certify that I am qualified and authorized to file this Verified Statement.

Executed September 5, 2002

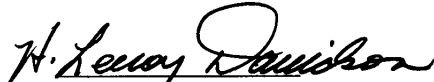

Leeroy Davidson

EXHIBIT 1

TIMBER INSPECTION

Deck Planking - along with ballast curbs is used to support the ballast and track section on a ballasted deck timber bridge. The deck must fit tight with no voids which will permit the ballast to fall through. Unless the ballast over the bridge is kept clean allowing water to drain through, moisture will continually be present. This condition promotes dry rot (decay) and the growth of fungus at the bottom of the deck. The continual moist condition also leads to premature decay to the supporting stringers and caps.

When inspecting ballast deck trestles, look for the following serious condition:

- **Deterioration Of The Deck Planking** - which allows the ballast to drop through, resulting in a track surface condition.

Stringers - Timber stringers serve the same function as steel stringers in a steel bridge. Timber stringers carry the floor system or deck and transfer the loading to the caps and bents. Since the loading to the stringer presents both bending over the span length and compression over the pile caps, the stringer may fail in horizontal shear by splitting longitudinally and/or crushing over the cap. The inspector should look for horizontal cracks or grain separation over the length of the stringer and for signs of deformation or crushing over the caps. Where grain separation is present during the passage of a train, a mud-like substance will work from the crack. When this situation exists, the stringer loses about 50% of its strength. Care must be taken to properly identify the span number, stringer number, stringer size and number of stringers per rail when entering these defects on the inspection report.

When inspecting timber trestles, look for the following serious condition:

- **Stringers** - that are broken, crushed, decayed or split to the point they can no longer carry the designed load.

***. TIMBER INSPECTION**

shear. Caps may fail by horizontal or vertical cracks, crushing and/or breaking due to unequal pile or framed post loads.

Sills - are used to support framed members of a bent. Track loads, transferred to the cap by the stringer, are transferred to the sill by the framed posts. Sills may rest on mud blocks, concrete piers, pedestals or cut off piles. Sills are subject to the same compressive forces as caps and may fail by horizontal or vertical cracks, crushing, and/or breaking.

When inspecting timber bents, look for these serious conditions:

- **Cap** - is broken, crushed or cracked to the point it can no longer carry the designed load.
- **Sill** - is broken, crushed or cracked to the point it can no longer carry the designed load.

Timber Bents - Since all timber used in permanent bent construction with the exception of a few Greenheart Piles, is treated timber, this discussion will apply only to treated timber. While chemical treatment of timber is highly effective in preventing or retarding decay, the depth of penetration of the preservative will be dependant upon the species of wood being treated. Chemical penetration will rarely or never reach the center of the larger timbers and piles. As previously pointed out, for fungus decay to rapidly progress, moisture must be present. These two factors then explain why decay in treated timber is generally first evident in the heartwood around bolt or spike holes and at field cut ends of timbers or piles. At these locations moisture is more able to reach untreated wood and sustain the growth of fungi which cause decay. It also explains why the centers (heartwood) of timber piles, post, sills, mud sill, etc. tend to first decay at the ground or water line. This leaves a shell of treated wood, where the natural porosity of the wood together with checks and splits permits the intermittently present water and air to reach untreated heartwood in that area of the pile. All of the above is intended to point out the reasons for and possible location of serious decay which may not be evident without close

TIMBER INSPECTION

posts and parts of a timber bridge and is a vital part of locating suspect members. However, unless the soundings are followed by borings and a more detailed study, good timber could be removed. Soundings can be misleading in instances where piles have been over-driven and the annual rings have become separated.

METHODS FOR INSPECTING TIMBER PILES - There are three very basic methods for inspecting the timber members of a bridge. They are:

Sound - Sound all timber possible: Caps, stringers, piles, posts, sills, mud blocks, bearing blocks, etc. Carefully inspect areas around drift pins, bolts and other hardware and especially at or slightly below the ground line.

Boring - Bore all timber where soundings indicate possible internal decay. Bore the first hole at the point that sounds the most suspicious, then bore another hole at 90 degrees to the first. If a shell of major proportions is found, several holes may be necessary. Always plug bore holes with a treated plug to prevent entrance of insects and further decay producing spores.

Measure - The shell thickness at each bore hole. Record the information including both the shell thickness and the void depth. Shell thickness indicator tools are available for this purpose.

The ground line area is the most prevalent location for decay and for a careful inspection of the pile. Usually, sounding will provide a clue and if a suspicious area is found, the pick end of the inspection hammer may be used to tear out the thin shell to reveal the inner decay. It may be necessary to dig around the pile for a more detailed inspection. This is especially important when pumping, lateral movement and/or swaying is evident with the passage of a train. Piles may appear solid above ground and be completely destroyed one foot below the surface. Piles located in salt or brackish water are susceptible to marine borers and must receive careful attention during inspection cycles.

TIMBER INSPECTION

- **Bracing** - broken, decayed or loose affecting the structural stability of the bridge.
- **Insufficient Bracing** - additional bracing must be applied

Footwalks and Refuge Bays - Walkways and refuge bays may become hazardous as a result of decay or missing planks, etc. Renewal of footwalks and refuge bays usually are made with tie renewals. Fastening devices and handrails must be inspected to insure they are properly secured.

When inspecting timber trestles, look for these serious conditions:

- **Walkways or Refuge Bays** - that constitute a safety hazard and require immediate repairs.

G. BEARING BLOCKS AND SHIMS

Bearing Blocks - are used at the top of timber towers to make transition from a timber structure to a steel structure. Since these blocks are subject to compressive forces, failure will be due to decay or crushing.

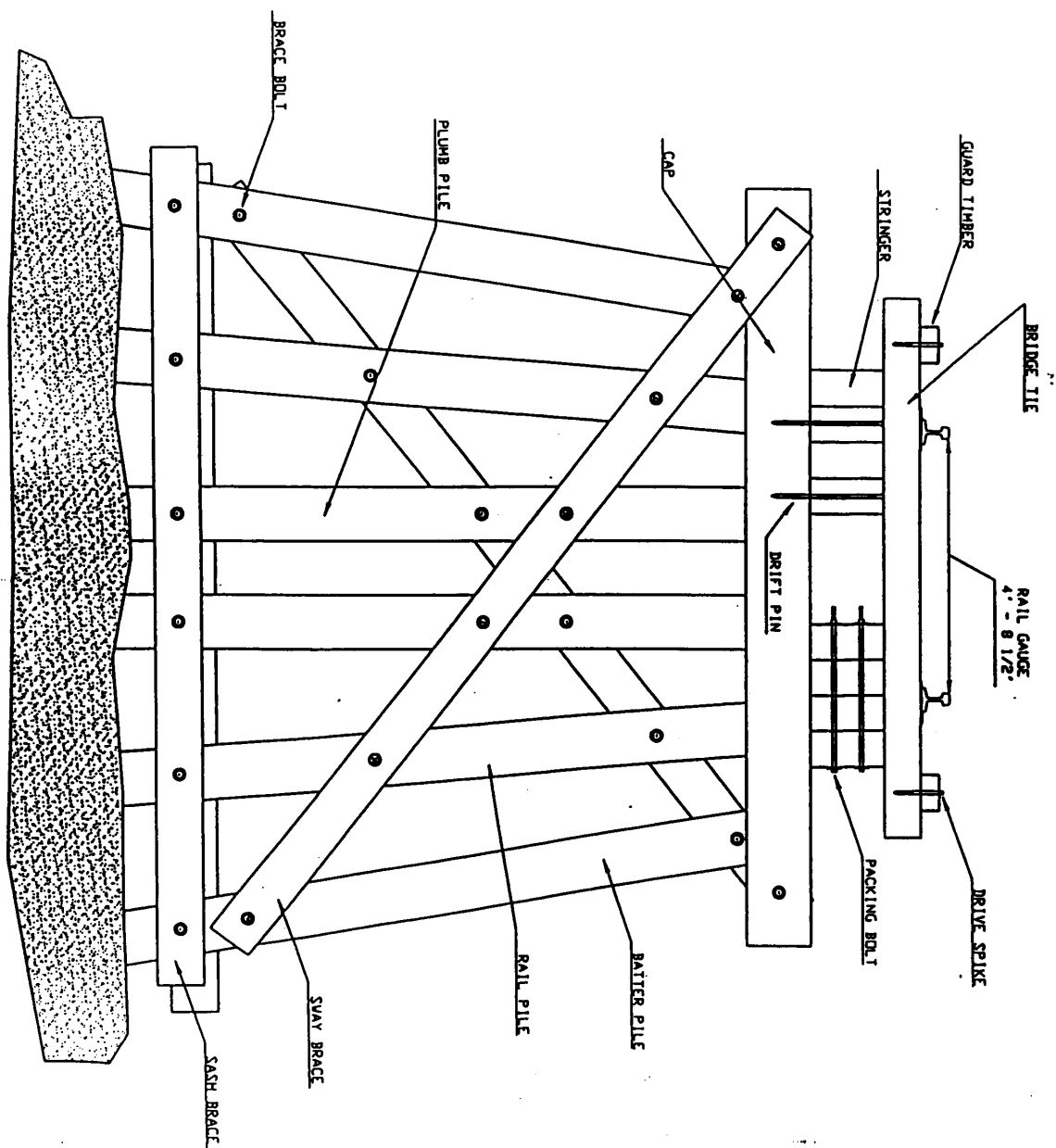
Timber Shims - are used to provide good bearing between stringers and caps, caps and piles, and between steel spans and bearing blocks.

When inspecting timber trestles, look for the following serious conditions:

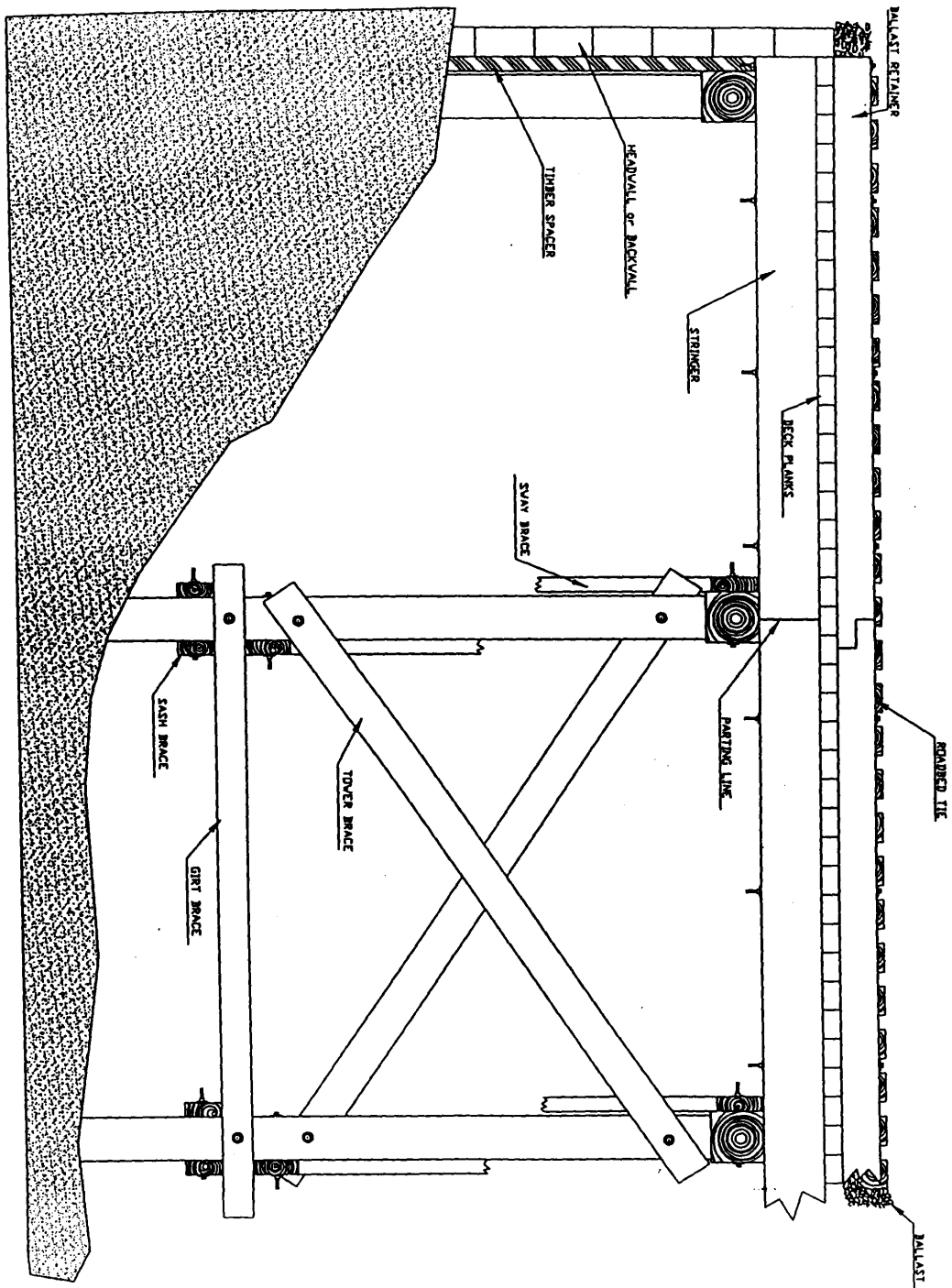
- **Bearing Blocks** - crushed or decayed - especially at the ends of steel spans.
- **Missing Shims** - allowing movement between caps and piles and between steel spans and bearing blocks

EXHIBIT 2

TIMBER PILE BENT SCHEMATIC



BALLAST DECK BRIDGE PROFILE



TERMINOLOGY

<u>Bent</u>	A supporting unit of a trestle made up of vertical members connected at the top by a cap.
<u>Dump Bent</u>	The end bent of a bridge. There is usually a retaining wall or backwall next to the dump bent.
<u>Cap</u>	The top, horizontal member of a bent. It holds the vertical members in their proper place and distributes the superstructure load to them.
<u>Defer Treatment</u>	Bridge timbers that do not contain enough decay at this time to warrant treatment, but should be considered for re-cruising in 5-10 years.
<u>Drift</u>	Brush, logs and other debris carried by high water. If it accumulates against a bridge, it should be removed to reduce fire hazards and pressure against the bridge.
<u>Groundline (G/L)</u>	In bridge piling, the portion from 2-3 feet below the ground level to 1-2 feet above. An area where rapid decay growth can take place.
<u>Longitudinal Bracing (Santa Fe)</u>	Horizontal structural members which span from bent to bent and are usually fastened to a sash brace near the top of the piles or posts.
<u>Girt Bracing</u>	A horizontal member which spans from bent to bent and is usually fastened above the sash brace, normally 11 to 15 feet down from the cap.
<u>Pile (P)</u>	A vertical structure member that has been driven into the ground.
<u>Possible Reject (PX)</u>	Refers to members not decayed or damaged sufficiently to be classified as rejects, but are deteriorated enough to be considered for replacement.
<u>Post (Posting)</u>	Replace a defective portion of a pile with a new section.
<u>Reject (X)</u>	A member that is severely decayed or damaged.
<u>Riprap</u>	Large stones, boulders, blocks of concrete, etc. placed around piles or piers to prevent scour.
<u>Sash Brace</u>	Horizontal member fastened to piles or posts of a bent to provide rigidity.
<u>Sway Brace</u>	Diagonal member fastened to piles or posts of a bent to provide rigidity.
<u>Sill</u>	Horizontal member supporting the posts of the bent.

EXHIBIT 3



January 16, 2002

Mr. H. Leeroy Davidson, Reg. Br. Eng.
CSX TRANSPORTATION, INC.
1701 E. Market Street
Jeffersonville, IN 47131

Dear Mr. Davidson:

Please consider this letter an estimate to complete repairs to the 10 panel ballast deck timber bridge at Milepost 223.5 on the Cordova Branch in Memphis, TN.

Based on our recent site visit, the repairs as listed below are required to return the bridge to service. Due to the type of bridge, ballast deck timber trestle, we are not able to give a lower cost for repairs at the bridge designed to last 10 years versus 20 years. Our estimate is valid for 10 years or 20 years.

Repair 10 panel ballast deck bridge at MP 223.5 on the Cordova Branch - Memphis, TN

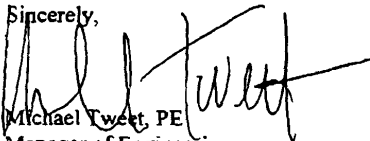
1. Bent 0, cut pile tops and replace cap. Excavate and post out 2 pile - 4 ft tall.
2. Bent 1, 2 pile to excavate and post out at 8 ft tall. Cut pile tops and replace cap.
3. Bent 2, excavate and post out 2 pile at 10 ft tall. Cut pile tops and replace cap.
4. Bent 3, chip out concrete floor and frame out bent at 25 ft tall, 6 pile to be replaced.
5. Bent 4, chip out concrete floor and post out 3 pile. Cut pile tops and replace cap.
6. Bent 5, excavate/chip and post out 4 pile. Cut pile tops and replace cap.
7. Bent 6, excavate/chip and post out 3 pile. Cut pile tops and replace cap.
8. Bent 7, 2 pile to post. Cut pile tops and replace cap.
9. Bent 8, 1 pile to post. Cut pile tops and replace cap.
10. Bent 9, excavate and post 2 pile at 7 ft. Cut pile tops and replace cap.
11. Bent 10, excavate and post 3 pile. Cut pile tops and replace cap.
12. Remove existing reject timber stringers and deck and replace per CSX details.

Estimated Costs:

Mobilization, Labor & Equipment	\$175,000.00
Materials	\$ 90,000.00
Total Estimate	\$265,000.00

Please note, the costs are an estimate only and are based on the bridge remaining out of service until repairs are complete. If we can provide you with any further information, please do not hesitate to contact us. We will be glad to provide you with a formal proposal to complete these repairs.

Sincerely,


Michael Tweet, PE
Manager of Engineering

cc: E Lewis

Osmose, Inc.
Railroad Division
4546 Tompkins Drive • P.O. Box 8276 • Madison, WI 53708-8276
608-221-2292 • 800-356-5952 • Fax 608-221-0618

EXHIBIT C

BEFORE THE
SURFACE TRANSPORTATION BOARD

DOCKET NO. AB-55 (SUB-NO. 618)

CSX TRANSPORTATION, INC.
- DISCONTINUANCE -
AT MEMPHIS, IN SHELBY COUNTY, TENNESSEE

REBUTTAL VERIFIED STATEMENT OF GREG WALLEN

My name is Greg D. Wallen and I am Terminal Trainmaster and Terminal Manager at Memphis, Tennessee for CSX Transportation, Inc. ("CSXT"), with offices located at 1493 N. Holmes Street, Memphis, Tennessee, 38108. My duties include direct supervision of train and engine employees. This position works closely with other terminal and field management personnel, Service Lane personnel, Crew Management Center and Operations Center in the handling of crews and operations to make tactical decisions with the goal of safety and service reliability. I began my railroad career in 1978 as a Trainman, and have also served as Conductor, Locomotive Engineer, and Road Foreman of Engines. Since August 01, 2000, I have been employed by CSXT as Terminal Trainmaster and Terminal Manager.

The purpose of this statement is to describe the actual operation performed by CSXT in serving Bolen-Brunson-Bell Lumber Company, Inc. ("BBB"), as well as other customers in the Memphis area. Because CSXT has no local transfer service in Memphis, the operation required to serve BBB is cumbersome and time-consuming. The verified statement of Donnie Moore describes the operation required to deliver traffic to BBB once the traffic arrives in CSXT's Leewood Yard in Memphis. Although the move from Leewood Yard to BBB is difficult as a result of having to cross the heavily-utilized CNIC/CSXT double main line between Memphis

and Aulon, getting the cars to Leewood Yard is actually difficult and time consuming in and of itself.

The majority of BBB traffic arrives in Memphis via BNSF, CN/IC or UP. As such, the traffic is delivered to either BNSF's Tennessee Yard, CN/IC's Johnston Yard or UP's Sargent Yard which are all located in the Memphis area (collectively referred to as the "Foreign Yards"). CSXT does not have the ability to transfer cars destined for BBB from the Foreign Yards to CSXT's Leewood Yard. As a result, BBB traffic delivered to the Foreign Yards in Memphis is necessarily added to a CSXT through train bound for Nashville (the Q536 out of the BNSF yard, the Q532 out of the CN/IC yard, or the Q530 or S530 out of the UP yard). One crew takes these through trains to Bruceton, Tennessee, a crew change point, and then a second crew takes the trains on to Nashville. Once in Nashville, the BBB cars are humped at CSXT's Radnor yard and put in the Q533 train along with other local traffic bound for Memphis.

One crew takes the Q533 to Bruceton, Tennessee and a second crew takes the Q533 to Leewood Yard in Memphis. The move from Memphis to Nashville and back to Memphis typically takes approximately three days.

VERIFICATION

I, Greg D. Wallen, verify under penalty of perjury under the laws of the United States that the foregoing is true and correct. Further, I certify that I am qualified and authorized to file this Verified Statement.

Executed September 06, 2002.

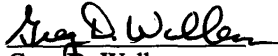

Greg D. Wallen

EXHIBIT D



Joanna Griffith
Director - Route Structures
Asset Management - J200

500 Water Street - J200
Jacksonville, FL 32202
Tel (904) 353-4925
Fax (904) 353-1111
E-Mail: Joanna_Griffith@csx.com

April 9, 2001

Mr. Herbert L. Harper
Executive Director and Deputy
State Historic Preservation Officer
Tennessee Historical Commission
Department of Environment and Conservation
2941 Lebanon Road
Nashville, TN 37243-0442

RE: CSXT ABANDONMENT
CORDOVA TO MEMPHIS
SHELBY COUNTY
DOCKET AB-55 (SUB-NO. 590X)

Mr. Harper:

Please be advised that on May 18, 2001, CSX Transportation, Inc. anticipates filing for abandonment of a portion of its rail line between Cordova and Memphis, TN, as shown on the attached maps.

In connection with rail lines that are to become the subject of applications for authority to abandon, Federal Regulations at 49 CFR 1105.8(d), require that a Historic Report be submitted to the State Historic Preservation Officer prior to filing with the Surface Transportation Board. In accordance with those Regulations, I am attaching a Historic Report covering the above proposed abandonment.

I will appreciate receiving your letter confirming that this project will have no impact upon cultural resources. If you have questions, please feel free to call me.

Sincerely,

Attachments

Copy:
Surface Transportation Board
Section of Environmental Analysis
1925 "K" Street NW - Suite 534
Washington, DC 20423-0001

Ms. N. S. Rosenberg, Counsel, CSXT, 500 Water St.-J150, Jacksonville, FL 32202



received
05-01-01

TENNESSEE HISTORICAL COMMISSION
DEPARTMENT OF ENVIRONMENT AND CONSERVATION
2941 LEBANON ROAD
NASHVILLE, TN 37243-0442
(615) 532-1550

April 25, 2001

Mr. Joanna M. Griffith
CSX Transportation
500 Water Street-J 200
Jacksonville, Florida 32202

RE: STB, DOCKET AB-55 (SUM NO 590X), UNINCORPORATED, SHELBY COUNTY

Dear Mr. Griffith:

Pursuant to your request received by this office on Thursday, April 12, 2001, this office has reviewed documentation concerning the above-referenced undertaking. This review is a requirement of Section 106 of the National Historic Preservation Act for compliance by the participating federal agency or applicant for federal assistance. Procedures for implementing Section 106 of the Act are codified at 36 CFR 800 (Federal Register, December 12, 2000, 77698-77739)

Based on available information, we find that the undertaking as currently proposed may affect historic properties eligible for listing in the National Register of Historic Places. We therefore recommend that your agency begin immediate consultation with our office to complete Section 106 review on this undertaking. This office will also need to review a cultural resources survey report for this project before any work commences. You may find additional information concerning the Section 106 process and the Tennessee SHPO's documentation requirements at www.state.tn.us/environment/hist/sect106.htm. Questions and comments may be directed to Joe Garrison (615) 532-1559. Your cooperation is appreciated.

Sincerely,

Herbert L. Harper
Executive Director and
Deputy State Historic
Preservation Officer

HLH/jyg

SURFACE TRANSPORTATION BOARD
Washington, DC 20423

OFFICE OF ECONOMICS, ENVIRONMENTAL ANALYSIS, AND ADMINISTRATION

September 14, 2001

Mr. Herbert L. Harper
Executive Director and
Deputy State Historic Preservation Officer
Tennessee Historical Commission
2941 Lebanon Road
Nashville, TN 37243-0442

Re: AB-55 (Sub-No. 590X) - CSX Transportation, Inc. - Abandonment
Exemption - (Between Memphis and Cordova) in Shelby County,
Tennessee

Dear Mr. Harper:

CSX Transportation, Inc. (CSX) filed a petition for exemption with the Surface Transportation Board (Board) on August 24, 2001, to abandon 13.34 miles of rail line in the above-referenced proceeding. In response to CSX's notification to you regarding the proposed abandonment, you wrote to Ms. Joanna Griffith on April 25, 2001, stating that you believed the undertaking may affect historic properties eligible for listing in the National Register of Historic Places.

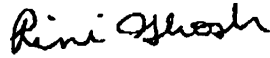
The Section of Environmental Analysis (SEA) is the office within the Board responsible for conducting the environmental review process pursuant to the National Environmental Policy Act, including the National Historic Preservation Act (NHPA). As the SEA staff person assigned to this case, I am writing to you to initiate the consultation process pursuant to the regulations implementing Section 106 of NHPA. We understand your letter to indicate that you request completion and submission of a cultural resources survey report prior to any salvage activities.

I hope that you or a member of your staff will contact me so that we can begin to work together, and with CSX, to identify properties eligible for listing in the National Register of Historic Places that may be affected by the proposed undertaking.

Thank you for your assistance and I look forward to working with you and your office as

we fulfill our obligations under Section 106 for this case. My telephone number is (202) 565-1539 and the fax number for my office is (202) 565-9000.

Sincerely yours,



Rini Ghosh

Section of Environmental Analysis

cc: Ms. Natalie S. Rosenberg, CSX
Mr. Don L. Klima, Advisory Council on Historic Preservation

SURFACE TRANSPORTATION BOARD
Washington, DC 20423

OFFICE OF ECONOMICS, ENVIRONMENTAL ANALYSIS, AND ADMINISTRATION

September 14, 2001

Mr. Don L. Klima
Director
Office of Planning and Review
Advisory Council on Historic Preservation
1100 Pennsylvania Avenue, NW, Suite 809
Washington, DC 20004

Re: AB-55 (Sub-No. 590X) - CSX Transportation, Inc. - Abandonment
Exemption - (Between Memphis and Cordova) in Shelby County,
Tennessee

Dear Mr. Klima:

Pursuant to 36 CFR 800.6(a)(1) and 36 CFR 800.11(e) of the regulations implementing Section 106 of the National Historic Preservation Act, I am notifying you that the proposed abandonment, set forth above, may adversely affect historic properties, as indicated in the letter (copy enclosed) from Mr. Herbert L. Harper, the Tennessee State Historic Preservation Officer (Tennessee SHPO), to CSX Transportation, Inc. (CSX), dated April 25, 2001. We understand Mr. Harper's letter to indicate that the Tennessee SHPO requests completion and submission of a cultural resources survey report prior to any salvage activities.

Also enclosed is a copy of my letter to Mr. Harper, beginning the consultation process, as well as a copy of the petition for exemption filed with the Surface Transportation Board (Board) by CSX, describing the proposed action and containing information about the rail line.

The Section of Environmental Analysis (SEA) is the office within the Board responsible for conducting the environmental review process pursuant to the National Environmental Policy Act, including the National Historic Preservation Act. I will be working with the Tennessee SHPO's office, as well as the railroad, and other concerned or affected parties. I will forward to you a copy of the environmental assessment for this proceeding when it is completed (in October), and seek your participation in the Section 106 process at the appropriate time.

If you need further information or have questions, please contact me at (202) 565-1539.

Sincerely yours,

Rini Ghosh

Rini Ghosh
Section of Environmental Analysis

Enclosures

cc: Natalie S. Rosenberg, CSX
Mr. Herbert L. Harper, Tennessee SHPO



Joanna Griffith
Director - Route Structures
Asset Management

500 Water Street
Jacksonville, FL 32202
Tel. (904) 359-4925
Fax (904) 359-1111
E-Mail: Joanna_Griffith@csx.com

October 3, 2001

Ms. Victoria Rutson
Section of Energy Analysis
Surface Transportation Board
1925 K. Street, NW
Washington, DC 20423

Re: CSX Transportation, Inc.
Abandonment Exemption
AB-55 (Sub-No. 590X)

Dear Ms. Rutson:

Please refer to Ms. Rini Ghosh's letter of September 14, 2001 to the Tennessee Historic Commission regarding CSXT's proposed line abandonment between Memphis and Cordova, Shelby County, Tennessee. In consultation with our office on September 26, 2001, Ms. Ghosh advised that the Tennessee Historic Commission had requested information on any bridges that might be located on the line.

In the Historic Report submitted to the Tennessee SHPO on April 9, 2001, we advised there were no structures 50 years old or older eligible for listing in the National Register. However, there are seven CSXT-owned timber trestle bridges on this line and seven overhead bridges owned by the State of Tennessee. It is CSXT's practice to repair timber trestle bridges on an "ongoing and as needed" basis, and repair and/or maintenance records are not retained. We do not consider timber trestle bridges to be eligible for listing in the National Register and, as a general rule, we do not document timber trestle bridges on lines proposed for abandonment. We feel that the historic integrity of the timber bridges has been compromised by repairs made over the past several years; and, consequently the bridges are not eligible for listing in the National Register. The overhead bridges are owned by the State of Tennessee will not be affected by this abandonment.

The timber trestle bridges on the line are discussed in Exhibit E of the Petition for Exemption filed August 24, 2001. The Verified Statement prepared by Leroy Davidson, Regional Engineer of Structures for CSXT, explains that the bridges have outlived their useful lives and will require replacement very shortly. Mr. Davidson's statement was substantiated with extensive information pertaining to timber bridges, i.e. properties of wood, critical timber inspection details, timber bridge details on the line segment, typical plans for timber railway bridges. Mr. Davidson also included CSXT's bridge inspection reports and bridge sketches of the seven timber trestle bridges located on this line segment.

We hope this information is helpful in determining there are no CSXT-owned structures on the line that are eligible for listing in the National Register.

If you need further information or have questions, please feel free to contact me.

Sincerely,

Joanna M. Griffith

Copy:

Ms. Rini Ghosh, SEA, 1925 K. Street, NW, Washington, DC 20423

Ms. N. S. Rosenberg, Counsel, CSXT, 500 Water Street - J150, Jacksonville, FL 32202

SURFACE TRANSPORTATION BOARD
Washington, DC 20423

OFFICE OF ECONOMICS, ENVIRONMENTAL ANALYSIS, AND ADMINISTRATION

October 12, 2001

Mr. Joe Garrison
Tennessee Historical Commission
2941 Lebanon Road
Nashville, TN 37243-0442

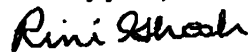
Re: AB-55 (Sub-No. 590X) - CSX Transportation, Inc. - Abandonment
Exemption - (Between Memphis and Cordova) in Shelby County,
Tennessee

Dear Mr. Garrison:

Pursuant to our phone conversation last month, I am enclosing material from CSX Transportation (CSXT) providing information regarding the seven timber trestle bridges on the line proposed for abandonment. The material consists of a letter from CSXT, stating that there are no CSXT-owned structures on the line eligible for listing in the National Register of Historic Places, a Verified Statement by CSXT's Regional Engineer of Structures submitted to the Surface Transportation Board with the petition for abandonment that discusses the history and condition of each of the seven bridges, and supplemental bridge inspection guidance and reports. This material is designed to demonstrate that, according to CSXT, "the historic integrity of the timber bridges has been compromised by repairs made over the past several years; and, consequently the bridges are not eligible for listing in the National Register."

I look forward to discussing the issues in this abandonment with you. If you need additional information or have questions, please contact me at (202) 565-1539.

Sincerely yours,



Rini Ghosh
Section of Environmental Analysis

cc: Ms. Joanna M. Griffith, CSX
Ms. Barbara Harris, CSX

Enclosures



TENNESSEE HISTORICAL COMMISSION
DEPARTMENT OF ENVIRONMENT AND CONSERVATION
2941 LEBANON ROAD
NASHVILLE, TN 37243-0442
(615) 532-1550

October 25, 2001

Ms. Rini Ghosh
Surface Transportation Board
1925 K Street, NW
Washington, DC, 20423-0001

RE: STB, AB-SS SHB NO. 590X/CSX ABANDONMENT, UNINCORPORATED, DEKALB COUNTY

Ms. Ghosh

Pursuant to your request, received on Wednesday, October 17, 2001, this office has reviewed documentation concerning the above-referenced undertaking. This review is a requirement of Section 106 of the National Historic Preservation Act for compliance by the participating federal agency or applicant for federal assistance. Procedures for implementing Section 106 of the Act are codified at 36 CFR 800 (Federal Register, December 12, 2000, 77698-77739).

To complete our review of this project, we will need the following documents: 1) Numbered photographs of the project site, 2) Numbered photographs of the immediate vicinity of the project site, 3) Dates of construction, if known, of buildings on the site and/or within view of the project, and 4) A key map indicating the location of each photograph. Upon receipt of the additional information, we will complete our review of this undertaking expeditiously. Until this office has rendered a final comment on this project, you have not met your Section 106 obligation under federal law. Please inform this office if this project is not funded or canceled by the federal agency. Please direct questions and comments to Joe Garrison (615) 532-1559.

We appreciate your cooperation.

Sincerely,

Herbert L. Harper
Executive Director and
Deputy State Historic
Preservation Officer

HLH/jyg

SURFACE TRANSPORTATION BOARD
Washington, DC 20423

OFFICE OF ECONOMICS, ENVIRONMENTAL ANALYSIS, AND ADMINISTRATION

November 20, 2001

Ms. Barbara Harris
CSX Transportation
500 Water Street - J200
Jacksonville, FL 32202

Re: AB-55 (Sub-No. 590X) - CSX Transportation, Inc. - Abandonment
Exemption - (Between Memphis and Cordova) in Shelby County,
Tennessee

Dear Ms. Harris:

In response to the information sent to the Tennessee Historical Commission (SHPO) by the Section of Environmental Analysis on October 12, 2001, the SHPO has requested additional information to complete its review of the proposed abandonment as required by Section 106 of the National Historic Preservation Act, 16 U.S.C. 470f. Specifically, the SHPO requests the submission of numbered photographs of the seven timber trestle bridges on the line, dates of construction of each of the bridges, and a key map indicating the location of each photograph. Mr. Joe Garrison of the SHPO's office has indicated that color photographs will be acceptable for this case.

Pursuant to our phone conversation earlier today, I understand that you will be sending the requested material to the SHPO in the near future. Mr. Garrison has requested that, for administrative purposes, you also include a copy of the October 25, 2001 letter sent by the SHPO to me. We request that you send us a copy of the cover letter accompanying the submission of the information to the SHPO.

We appreciate all of your efforts to complete the Section 106 process for this case. If you have any questions, please do not hesitate to contact me at (202) 565-1539.

Sincerely,

Rini Ghosh

Rini Ghosh
Section of Environmental Analysis

cc: Joe Garrison, Tennessee Historical Commission



Joanna Griffith
Director - Route Structures
Asset Management - J200

500 Water Street - J200
Jacksonville, FL 32202
Tel. (904) 359-4825
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November 20, 2001

Mr. Joe Garrison
Tennessee Historical Commission
Department of Environment and Conservation
2941 Lebanon Road
Nashville, TN 37243-0442

RE: CSXT ABANDONMENT
CORDOVA TO MEMPHIS
SHELBY COUNTY
DOCKET AB-55 (SUB-NO. 590X)

Dear Mr. Garrison:

In accordance with your letter to Ms. Rini Ghosh, Surface Transportation Board of October 25, 2001, copy attached, and also your telephone conversation with Ms. Ghosh on November 20, I am attaching index and photographs of CSXT-owned timber trestle bridges on the rail corridor between Cordova and Memphis, TN. The locations of the bridges are identified on the attached topographic maps.

If I can be of further assistance, please give me a call.

Sincerely,

Attachments

Copy: (w/attachments)
Ms. Rini Ghosh
Section of Environmental Analysis
Surface Transportation Board
1925 "K" Street NW - Suite 534
Washington, DC 20423-0001

Ms. N. S. Rosenberg, Counsel, CSXT, 500 Water St.-J150, Jacksonville, FL 32202



November 30, 2001

TENNESSEE HISTORICAL COMMISSION
DEPARTMENT OF ENVIRONMENT AND CONSERVATION
2941 LEBANON ROAD
NASHVILLE, TN 37243-0442
(615) 532-1550

Ms. Rini Ghosh
Surface Transportation Board
1925 K Street, NW
Washington, DC, 20423-0001

RE: STB, AB-55 SUB-NO 590X, UNINCORPORATED, SHELBY COUNTY

Ms. Ghosh

In response to your request, received on Thursday, November 29, 2001, we have reviewed the documents you submitted regarding your proposed undertaking. Our review of and comment on your proposed undertaking are among the requirements of Section 106 of the National Historic Preservation Act. This Act requires federal agencies or applicant for federal assistance to consult with the appropriate State Historic Preservation Office before they carry out their proposed undertakings. The Advisory Council on Historic Preservation has codified procedures for carrying out Section 106 review in 36 CFR 800. You may wish to familiarize yourself with these procedures (Federal Register, December 12, 2000, pages 77698-77739) if you are unsure about the Section 106 process.

After considering the documents you submitted, we determine that **THERE ARE NO NATIONAL REGISTER OF HISTORIC PLACES LISTED OR ELIGIBLE PROPERTIES AFFECTED BY THIS UNDERTAKING.** We have made this determination either because of the specific location, scope and/or nature of your undertaking, and/or because of the size of the area of potential effect; or because no listed or eligible properties exist in the area of potential effect; or because the undertaking will not alter any characteristics of an identified eligible or listed property that qualify the property for listing in the National Register or alter such property's location, setting or use. Therefore, we have no objections to your proceeding with your undertaking.

If you are applying for federal funds, license or permit, you should submit this letter as evidence of consultation under Section 106 to the appropriate federal agency, which, in turn, should contact us as required by 36 CFR 800. If you represent a federal agency, you should submit a formal determination of eligibility and effect to us for comment. You may find additional information concerning the Section 106 process and the Tennessee SHPO's documentation requirements at www.state.tn.us/environment/hist/sect106.htm. You may direct questions or comments to Joe Garrison (615) 532-1559. This office appreciates your cooperation.

Sincerely,

Herbert L. Harper
Executive Director and
Deputy State Historic
Preservation Officer

HLH/jyg

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Photo 4	Milepost 212.5, looking west
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Photo 7	Milepost 218.3 Bridge No. 218.3 Built 1953 by L&N 252' Timber Span over creek Cordova, TN
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Photo 9	Milepost 218.5 Bridge No. 218.5 Built 1952 1794' Timber Span, DPG, IBS over Wolf River Aulon, TN
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