

SERVICE DATE – FEBRUARY 6, 2026

SURFACE TRANSPORTATION BOARD

DECISION

Docket No. EP 290 (Sub-No. 5)

(2026-Q1)

QUARTERLY RAIL COST ADJUSTMENT FACTOR

Decided: February 6, 2026

In Railroad Cost Recovery Procedures, 1 I.C.C.2d 207 (1984), the Interstate Commerce Commission (ICC) outlined the procedures for calculating the all-inclusive index of railroad input prices and the method for computing the rail cost adjustment factor (RCAF). Under the procedures, the Association of American Railroads (AAR) is required to calculate the index on a quarterly basis and submit it to the agency on the fifth day of the last month of each calendar quarter. In Railroad Cost Recovery Procedures—Productivity Adjustment, 5 I.C.C.2d 434 (1989), aff'd sub nom. Edison Electric Institute v. ICC, 969 F.2d 1221 (D.C. Cir. 1992), the ICC adopted procedures that require the adjustment of the quarterly index for a measure of productivity.

The provisions of 49 U.S.C. § 10708 direct the Surface Transportation Board (Board) to continue to publish both an unadjusted RCAF and a productivity-adjusted RCAF. In Productivity Adjustment—Implementation, 1 S.T.B. 739 (1996), the Board decided to publish a second productivity-adjusted RCAF called the RCAF-5. Consequently, three indices are now filed with the Board: the RCAF (Unadjusted); the RCAF (Adjusted); and the RCAF-5.

On December 5, 2025, AAR filed its RCAF calculations for a forecast of the first quarter of 2026. The Board served a decision on December 18, 2025, adopting AAR's RCAF figures. However, on December 23, 2025, the Western Coal Traffic League (WCTL) filed a letter with the Board alleging that AAR made two errors in its calculations. (WCTL Ltr. 1.) According to WCTL, AAR calculated the "Forecast of Depreciation Index (1982 = 100)" and "Forecast of Other Index (1982 = 100)" by incorrectly using an average of the December 2025, January 2026, and February 2026 figures instead of an average of the January 2026, February 2026, and March 2026 figures. (Id. at 1-2.) These figures are used to compute the all-inclusive index. (Id.) WCTL states that AAR's errors "do not alter the ultimate RCAF forecast." (Id. at 1.)

To assist the Board in assessing the alleged errors raised by WCTL, AAR will be directed to respond to WCTL's letter by February 13, 2026.

It is ordered:

1. AAR is directed to respond to WCTL's letter by February 13, 2026.
2. This decision is effective on its service date.

By the Board, Anika S. Cooper, Chief Counsel, Office of Chief Counsel.