

REPORT  
TO  
COUNSEL

---

**Fair Market Value of The Rock & Rail, LLC Assets  
Between  
Pueblo, CO and Parkdale, CO**

---

by

**L. E. PEABODY & ASSOCIATES, INC.**  
ECONOMIC CONSULTANTS

July 2018

---

This Report was prepared at the request of Counsel. Counsel informs us that this Report is subject to Attorney – Client and Work Product privileges.

---

# L. E. PEABODY & ASSOCIATES, INC.

ECONOMIC CONSULTANTS

THOMAS D. CROWLEY  
TIMOTHY D. CROWLEY  
MICHAEL E. LILLIS  
DANIEL L. FAPP  
ROBERT D. MULHOLLAND  
WILLIAM W. HUMPHREY  
BRIAN A. DESPARD  
ROGER C. PRESCOTT  
PHILIP H. BURRIS  
CHRISTENA NIELSEN  
DOROTHY L. KAY  
MICHAEL R. GROENE  
AMY M. SPELKE  
RAY H. THIBAUT  
ALLISON C. REID  
CHRISTOPHER A. GOMEZ  
THOMAS D. COOPER  
IAN M. ANDERSON  
PAUL J. PERGOLIZZI

760 E. PUSCH VIEW LANE  
SUITE 150  
TUCSON, ARIZONA 85737  
Phone (520) 531-1060  
Fax (520) 531-1501

1501 DUKE STREET  
SUITE 200  
ALEXANDRIA, VIRGINIA 22314  
Phone (703) 836-0100  
Fax (703) 836-0285

7 HORICON AVENUE  
GLENS FALLS, NEW YORK 12801  
Phone (703) 517-1118

Writer's Email: TC@LEPEABODY.COM  
Direct Line: 703-299-4050

July 31, 2018



FOUNDED 1956  
AS FORD K. EDWARDS

1959-1965  
EDWARDS & PEABODY

Thomas W. Wilcox, Esquire  
GKG Law, P.C.  
1055 Thomas Jefferson Street  
Suite 500  
Washington, DC 20007

Dear Tom,

At your request, L. E. Peabody & Associates, Inc. estimated the Fair Market Value (“FMV”) of Rock & Rail, LLC (“RRRR”) rail assets based on a Going Concern Value (“GCV”) approach and a Net Liquidation Value (“NLV”) approach.

The issue rail line consists of 53.80 mainline miles and 14.98 miles of siding between Parkdale, CO and Pueblo, CO. The issue rail line from Pueblo to Cañon City is owned by the Union Pacific Railroad Company (“UP”) with RRRR operating over this rail line via a trackage rights agreement. The issue rail line from Cañon City to Parkdale is owned by RRRR and the Cañon City Royal Gorge Railroad (“CCRG”) with UP retaining a permanent “trackage rights easement.”

Exhibit A to this transmittal letter is a schematic of the issue rail lines considered in the FMV analyses which are the subject of this Report. A more detailed view of the adjoining rail lines is included in Attachment No. 1 to this Report. Specifically, Attachment No. 1 is a schematic of the rail lines in the southwest quadrant of the United States including the entire Tennessee Pass rail line. The second page of Attachment No. 1 includes a close up of the Tennessee Pass rail line.

Table 1 below outlines the miles for the two (2) segments that make-up the issue rail lines that are included in the FMV analyses. Table 1 also identifies the owner and operator of each segment as well as the railroad(s) that currently access each segment.

<u>Item</u>	<u>Parkdale, CO to Cañon City, CO</u>	<u>Cañon City, CO to Pueblo Jct. CO</u>	<u>Total</u>
(1)	(2)	(3)	(4)
1. Mainline Miles	12.70	41.10	53.80
2. Siding Miles	4.22	10.76	14.98
3. Operator	RRRR	RRRR	xxx
4. Ownership	CCRG, RRRR	UP	xxx
5. Connecting Railroads	UP	BNSF	xxx

In addition to the issue rail lines operated by RRRR, the FMV analyses include the four (4) locomotives and 262 rail cars owned by RRRR.

#### **A. FAIR MARKET VALUE**

Black's Law Dictionary defines Fair Market Value as:

The price that a seller is willing to accept and a buyer is willing to pay on the open market and in an arm's-length transaction; the point at which supply and demand intersect.<sup>1</sup>

Absent a willing buyer, a willing seller and an open market place, there exist several methods to estimate the FMV of an asset. These include: (1) the net liquidation value of the component parts of the asset or entity; (2) the present value of cash flows of an entity or those produced by utilization of the assets; (3) an earnings multiple approach; or (4) the sales price of comparable assets or entities. The present value of cash flows, earnings multiple and sales price of comparable assets are all used to estimate the GCV of the entity.

To estimate the FMV of the RRRR, we performed two (2) of the above methodologies, a desk-top version of the NLV of the assets approach and the present value of the cash flows produced by the properties.

Based on our desk-top analysis<sup>2</sup> of the RRRR, we estimate the NLV to equal \$4.5 million. An on-the-ground review of these facilities should be made to confirm or modify our findings before an acquisition option is implemented.

<sup>1</sup> *Black's Law Dictionary, Seventh Edition*, Bryan A. Garner, Editor in Chief, The West Group, St. Paul, MN, 1999, page 1549.

<sup>2</sup> As these are "desktop analyses" we have not confirmed the exact condition of the track, which would require a field inspection. We made assumptions about the condition of the rail line based on our experience and publicly available data, which are explained in the body of this Report. We also made assumptions concerning traffic and service levels which are also explained in this Report.

Thomas W. Wilcox, Esquire  
July 31, 2018  
Page 3

Alternatively, based on our forecast of RRRR's revenues, operating costs and its capital and financial structure, we conclude that the FMV of the RRRR as a GCV equals \$4.3 million using a present value of future cash flow approach.

The attached Report provides the detail and support for our NLV and GCV. Our Report also contains a description of the unique operating characteristics of the RRRR.

We appreciate the opportunity to provide this Report to you. If you have any questions, please let me know.

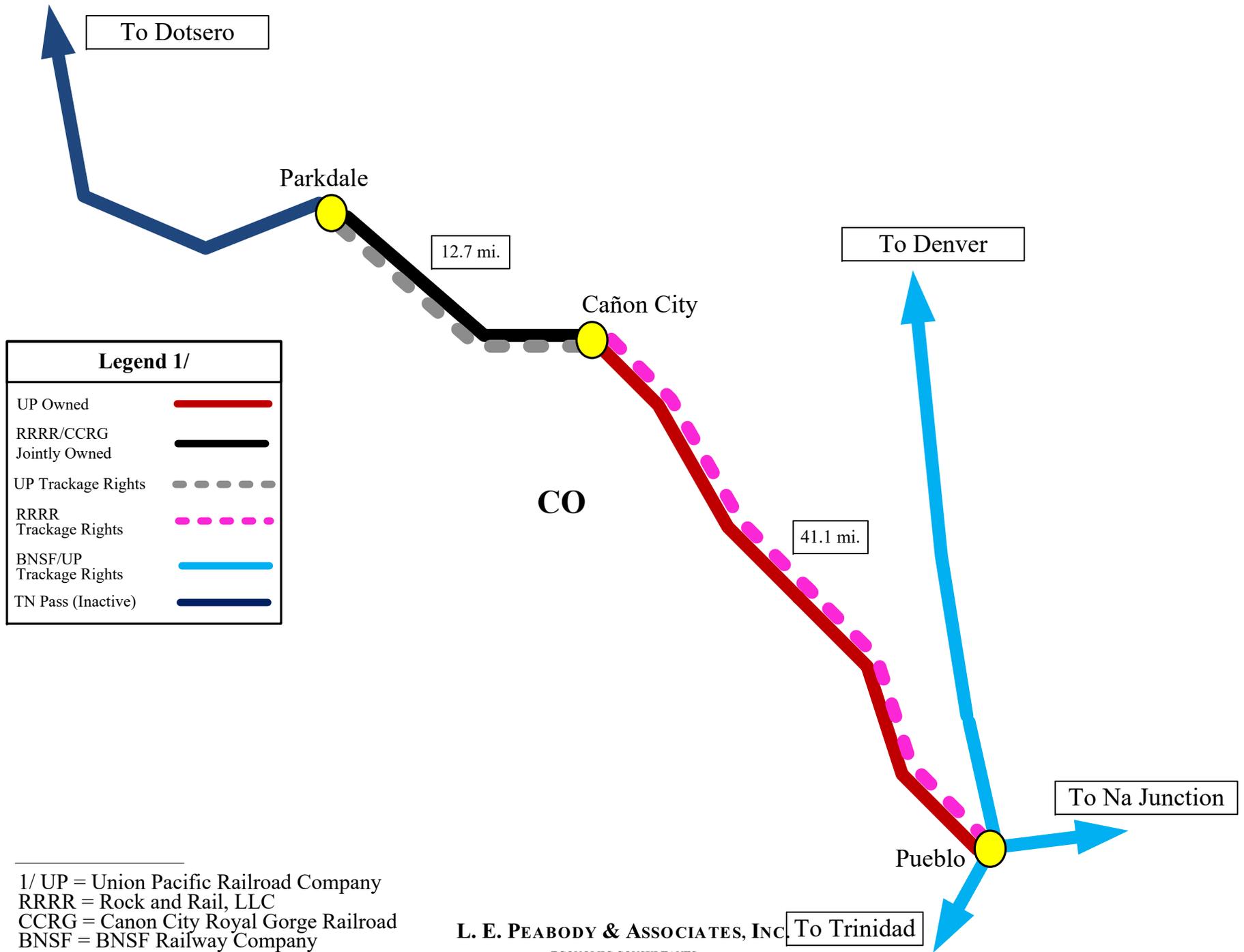
Very truly yours,



Thomas D. Crowley

TDC/cn  
Exhibit  
Attachment

## Summary of Parkdale to Canon City and Canon City to Pueblo Ownership Rights and Trackage Rights



1/ UP = Union Pacific Railroad Company  
 RRRR = Rock and Rail, LLC  
 CCRG = Canon City Royal Gorge Railroad  
 BNSF = BNSF Railway Company

REPORT  
TO  
COUNSEL

---

**Fair Market Value of The Rock & Rail, LLC Assets  
Between  
Pueblo, CO and Parkdale, CO**

---

by

**L. E. PEABODY & ASSOCIATES, INC.**  
ECONOMIC CONSULTANTS

July 2018

## TABLE OF CONTENTS

## PAGE

I.	Introduction.....	1
II.	Fair Market Value of RRRR’s Rail Properties .....	3
III.	Going Concern Value .....	4
	A. RRRR Business Model .....	4
	1. Traffic and Revenues.....	4
	a. Traffic Forecast .....	5
	b. Traffic Revenues .....	5
	2. Operating Plan .....	6
	3. Operating Expenses .....	6
	4. Capital Expenses .....	7
	5. Depreciation and Amortization Expense.....	7
	6. Income Taxes .....	8
	B. Present Value of Future Cash Flows.....	8
	1. Net Changes in Cash Flow .....	9
	2. Terminal Value.....	9
	3. RRRR’s Estimated Discount Rate.....	10
IV.	Net Liquidation Value.....	11
	A. RRRR Track Assets .....	12
	1. Rail .....	13
	2. Crossties .....	17
	3. Other Track Material .....	18
	4. Turnouts.....	19
	5. Removal and Restoration (Recovery) Cost .....	20
	6. Marketing and Disposition Costs .....	21
	7. Transportation Costs.....	21
	8. Summary Before Land and Equipment .....	22
	B. Equipment .....	22
	C. Land Value.....	24

## LIST OF ATTACHMENTS

<u>ATTACHMENT NO.</u>	<u>ATTACHMENT DESCRIPTION</u>
(1)	(2)
1	Schematic of Tennessee Pass Subdivision and Surrounding Rail Lines
2	Summary of Income Statement and Cash Flow For RRRR – 2018 to 2027
3	RRRR Forecasted Revenues and Operating Expense
4	RRRR Capital Investments and Tax Depreciation
5	RRRR Income Tax Calculations
6	RRRR Terminal Net Liquidation Value
7	Unit Cost Calculations for RRRR Going Concern Value
8	RRRR Net Liquidation Value Summary
9	RRRR Assets Gross Salvage Value (“GSV”)
10	RRRR Gross Salvage Value (“GSV”) For Ties
11	RRRR Gross Salvage Value (“GSV”) For Other Track Material (“OTM”)
12	RRRR Turnout Gross Salvage Value (“GSV”)
13	RRRR Removal and Restoration Costs
14	RRRR Asset Transportation Costs
15	RRRR Equipment Values
16	RRRR Estimated Value of Land

## I. INTRODUCTION

The Rock & Rail, LLC (“RRRR”) conducts aggregate freight operations over 41.1 miles of the line from Cañon City, CO to Pueblo, CO and certain other tracks connected to the main line. The RRRR acquired these rights in 1999 from BNSF, which owned certain tracks and also had trackage rights over this portion of the Tennessee Pass.<sup>1</sup> While BNSF assigned its trackage rights to RRRR, it appears that BNSF may still have trackage rights over the Cañon City to Pueblo line.<sup>2</sup> In 2015, Martin Marietta Materials (“MMM”) acquired a controlling interest of RRRR and RRRR describes itself on its website as a wholly owned subsidiary of MMM. However, RRRR still operates over the Cañon City to Pueblo rail line.<sup>3</sup>

In July 1998, the Royal Gorge Express, LLC (“RGX”) acquired 12.7 miles of Tennessee Pass track from UP for passenger excursion train operations. RGX is a joint venture between the RRRR and the Cañon City Royal Gorge Railroad (“CCRG”), with each party owning a 50% interest.<sup>4</sup> However, UP expressly retained “a permanent, irrevocable trackage rights [easement]

---

<sup>1</sup> This transaction was not without controversy. Specifically, in April 1999, RRRR filed a Notice of Exemption with the STB for authority to acquire from BNSF: (1) ownership of approximately 410 feet of track serving shippers located along the line; (2) BNSF’s trackage rights over the aforementioned 41.1 miles of main line; and (3) “incidental trackage rights over BNSF’s lines from the connection between BNSF’s line and UP’s line at Milepost 120.73 in Pueblo and approximately 2,243 feet over Track No. 254, approximately 4,200 feet over BNSF’s main line track to Milepost 619.75”, for the purpose of interchanging with BNSF in Pueblo. UP objected to the Notice of Exemption, complaining to the STB that BNSF did not have the legal right to assign its trackage rights to RRRR without UP’s consent, which UP was not providing. UP also simultaneously initiated arbitration to resolve the dispute. During the pendency of the arbitration, UP refused to honor the assignment of trackage rights from BNSF to RRRR. Several months later, in September 1999, the RRRR filed a letter with the STB informing it that an arbitrator had determined UP’s prior consent was in fact not required for BNSF to assign its trackage rights to RRRR in those particular circumstances. *See* STB Docket No. 33738, *Rock & Rail Acquisition and Operation Exemption – Lines of BNSF Railway*, decision served April 30, 1999 at page 2.

<sup>2</sup> Based on review of the May 24, 2016 BNSF System Map, it appears that BNSF still has trackage rights that begin in Pueblo, CO and continue west along the Tennessee Pass. The map does not label the trackage rights end point, but it appears to be in the vicinity of Cañon City.

<sup>3</sup> *See*, “*Martin Marietta Acquires Control of Rock & Rail*” by Rock Product News, published December 1, 2015. *See*, <http://www.rockproducts.com/news-late/14939-martin-marietta-acquires-control-of-rock-rail.html#.WL8PtPnyvuo>.

<sup>4</sup> *See*, “*Rock and Rail, LLC*” <http://www.rockandrail.com/>.

so as to preserve the integrity of the Tennessee Pass route.”<sup>5</sup> Simultaneous with the acquisition, RGX leased the track to RRRR, subject to UP’s permanent overhead trackage rights easement.<sup>6</sup> The CCRG operates a passenger excursion railroad which is now called the Royal Gorge Route Railroad.<sup>7</sup> UP’s trackage rights easement means that if the Tennessee Pass is put back into service, UP would be able to travel over the 12.7 miles of track owned and operated by RGX.

The remainder of this Report summarizes our estimate of the Fair Market Value (“FMV”) of the RRRR. In order to evaluate the RRRR, we inspected the rail assets via Google Earth Pro, as well as reviewed publicly available merger documents. Based on the information collected from these and other sources, we estimated the FMV based on the Going Concern Value (“GCV”) approach and based on the Net Liquidation Value (“NLV”) approach.

Our findings are discussed in the remainder of this Report under the following headings:

- II. Fair Market Value of RRRR’s Rail Properties
- III. Going Concern Value
- IV. Net Liquidation Value

---

<sup>5</sup> See, STB Docket No. 33608 *Rock & Rail Acquisition and Operation Exemption – Royal Gorge Express*, decision served July 15, 1998 at page 1 and STB Docket No. 33622 *Royal Gorge Express – Acquisition and Operation Exemption – UP*, decision served July 15, 1998 at page 1.

<sup>6</sup> *Id.*

<sup>7</sup> The passenger railroad website (<https://royalgorgeroute.com/>) refers to it as the “Royal Gorge Route Railroad.”

## **II. FAIR MARKET VALUE OF RRRR'S RAIL PROPERTIES**

Absent a willing buyer and a willing seller and an open market place, there exist several methods to estimate the FMV of an asset. These include: (1) an analysis of the present value of cash flows of an entity or those produced by utilization of an asset; (2) an earnings multiple approach; (3) the sales price of comparable assets or entities; or (4) the liquidation price of the component parts of the asset or entity.

To estimate the FMV of RRRR's rail properties, we employed two (2) of the above methodologies, the present value of the cash flows based on a forecast of traffic that may be available to the rail line and a net liquidation value. Our calculations using each of these methodologies are discussed below.

### **III. GOING CONCERN VALUE**

The going concern value (“GCV”) of a company is defined as “the value of a business enterprise that is expected to continue to operate into the future.”<sup>8</sup> As the RRRR is currently in operation, it is a going concern and thus, we forecasted traffic, revenues, operating expenses and cash flows that may be available to the RRRR.

This section of our Report describes our estimate of the GCV based on our estimate of revenues, earnings and cash flows of the entity and develops the GCV based on the forecasted RRRR business model and the discounted cash flows produced by that business model.

#### **A. RRRR BUSINESS MODEL**

This section of our Report discusses our review of the RRRR and its forecasted business model. The RRRR business model is discussed under the following headings:

1. Traffic and Revenues;
2. Operating Plan;
3. Operating Expenses;
4. Capital Expenses;
5. Depreciation and Amortization Expenses; and
6. Income Taxes.

##### **1. Traffic and Revenues**

The RRRR is currently operating over 53.8 miles of track from Parkdale, CO to Pueblo, CO, of which 12.7 miles is owned by RRRR.<sup>9</sup> This 53.8 miles is made up of both freight operations and passenger train operations. We analyzed the RRRR rail line in order to best estimate the traffic and revenues along the line. The traffic volumes and revenues are discussed in detail below.

---

<sup>8</sup> See, “*What is Going Concern Value*” <http://www.appraisalcolorado.com/value-vault/going-concern-value/>.

<sup>9</sup> RRRR and Cañon City Royal Gorge Railroad each own 50 percent.

**a. Traffic Forecast**

In order to develop the RRRR traffic forecast, we relied upon public data and estimated the number of trains per year, tons per car, cars per train and RRRR crew personnel requirements.

The number of trains per year is based on 2015 data which shows that RRRR ships approximately four (4) trains per week of aggregate rocks, with the number of trains slowing down as winter approaches.<sup>10</sup> Based on this data, we assumed that RRRR ships four (4) trains per week for half of the year and two (2) trains per week for the remaining half of the year. This assumption results in 156 RRRR trains per year. Further research led us to assume that RRRR trains operate with approximately 50 cars per train and 100 tons per car. To handle this volume of traffic, we estimated that RRRR’s crew personnel consists of ten (10) employees.

Based on the assumed 156 trains per year, 100 tons per car and 50 cars per train, we arrived at an estimated RRRR annual tonnage of 780,000 tons. The above information and the assumed tonnage form the basis of RRRR’s estimated traffic revenues.

**b. Traffic Revenues**

Traffic revenues are based on the Surface Transportation Board’s (“STB”) 2016 Public Use Waybill file.<sup>11</sup> The STB waybill file shows the average rate for local unit train shipments of “crushed and broken stone, NEC, including riprap” which originate in Region 3 and move 70 miles to Region 3 or Region 4 destinations<sup>12</sup> equals approximately \$3.50 per ton. We used our forecast of the Rail Cost Adjustment Factor – Unadjusted For Productivity (“RCAF-U”) to index the 2016 results to first quarter 2018 wage and price levels (“1Q18”). Based on the above, we estimate the 1Q18 rate for RRRR traffic to equal \$3.75 per ton.

---

<sup>10</sup> “*Last of its kind: Shipping by Rail*” by Kevin Yanik, published February 3, 2015. *See*, <http://www.pitandquarry.com/last-of-its-kind-shipping-by-rail/>.

<sup>11</sup> The 2016 Waybill is the most current file available.

<sup>12</sup> Region 3 and Region 4 destinations are in the western portion of the United States.

This rate of \$3.75 is then applied to the RRRR traffic discussed above. Assuming 780,000 tons and a rate of \$3.75 results in 2018 gross revenue equal to \$2.925 million. The 2018 revenues were then adjusted by the forecasted annual change in the RCAF-U to estimate the RRRR's revenues for the years 2019 through 2027.<sup>13</sup>

## **2. Operating Plan**

To estimate operating expenses for RRRR, we first developed an operating plan to move the estimated traffic from Parkdale, CO to Pueblo, CO. The operating plan is based on historic operations of the RRRR, as well as public research on short-line railroads.

In order to develop the RRRR operating plan, it was necessary to estimate the RRRR revenues and operating expenses based on RRRR traffic. Development of the RRRR revenue and traffic were discussed above.

## **3. Operating Expenses**

To estimate RRRR's operating costs, we relied upon our experience with actual short-line operating unit costs, as well as current publically available information, to estimate the railroad's future operating expenses. Operating expenses include amounts for crew wages, materials and supplies, locomotive fuel and maintenance, roadway maintenance, ad valorem taxes, insurance and general and administrative expenses.

Operating expenses are adjusted by our forecast of the Rail Cost Adjustment Factor – Adjusted for Productivity (“RCAF-A”). RRRR's operating expenses are calculated in Attachment No. 2 at 1Q18 wages and price levels and are then indexed to future year values using the RCAF-A.

---

<sup>13</sup> Public reports indicate that the RRRR generated revenues in prior years from the storage of coal cars. While many short lines gained significant revenues from coal car storage in recent years due to the down turn in coal shipments, we expect storage revenues to decline in the future as coal shippers ultimately rationalize their railcar fleets. We have not included storage revenues in our RRRR revenue forecast.

#### **4. Capital Expenses**

Capital expenditures include the annual maintenance of way spending required to keep the RRRR operating. The annual maintenance of way spending that is included is based on the maintenance expenses reported by short-line railroads in the company financial statements. After reviewing the financial statements for numerous short-line railroads, we were able to estimate an average maintenance expense for western short-line railroads that was then indexed to 1Q18 based on an AAR index. The RRRR maintenance of way spending is estimated to equal \$195,509 for 2019. Using the RCAF-A, we then indexed this value to calculate the maintenance of way spending for 2020 through 2027.

#### **5. Depreciation and Amortization Expense**

Depreciation and amortization expenses were calculated using the Modified Accelerated Cost Recovery Systems (“MACRS”) as allowed under existing tax laws. Capital assets installed are assumed to be placed in service mid-year and were placed in a seven-year asset class based upon their expected life and current tax laws.

In addition, the Tax Cuts and Jobs Act of 2017 (“TCJA”) provided bonus depreciation on capital investments with MACRS recovery periods of 20 years or less that were placed in service after September 27, 2017. The TCJA allows for 100 percent depreciation for assets placed into service prior to December 31, 2022. Beginning January 1, 2023, the bonus depreciation declines by 20 percent per year until the bonus depreciation is phased out on December 31, 2026.

Attachment No. 4 details current depreciation and amortization expenses and forecasted changes based on expected capital expenditures.

## **6. Income Taxes**

Income taxes were calculated on total earnings after deductions for depreciation and amortization expense as allowed under existing tax laws. Because the discount rate that we are utilizing takes into consideration the tax shielding effects of debt, interest payments are not included in the model as to avoid a double-count. Income taxes are assumed to equal the 21 percent federal corporate tax rate and the Colorado State corporate tax rate of 4.63 percent. This produces a combined marginal tax rate of 24.66 percent<sup>14</sup> Attachment No. 5 lists projected tax transactions for the 10-year forecast.

### **B. PRESENT VALUE OF FUTURE CASH FLOWS**

An entity derives value by deploying its assets (both tangible and intangible) in such a way as to generate cash receipts greater than its cash disbursements. These cash receipts and disbursements, or net cash flows, represent the returns company owners expect in the deployment of their assets over time. Because a dollar today is worth more than a dollar tomorrow due to the ability to invest today's dollar and earn interest, it is necessary to discount a company's expected net cash flows to determine their current or present value today. The sum of these discounted cash streams determines a company's value.

In estimating the value of RRRR, we developed a 10-year discounted cash flow ("DCF") model that estimates the railroad's expected future net cash flows and discounts these cash flows at a rate appropriate to the business risk of RRRR.<sup>15</sup> The DCF model takes into consideration expected changes in RRRR's traffic flows, transportation prices, operating expenses, capital

---

<sup>14</sup> 4.63 percent + [21 percent x (1 - 4.63 percent)] = 24.66 marginal tax rate.

<sup>15</sup> A 10-year forecast period is commonly used in the valuation industry to develop the GCV of assets or a company. A 10-year period will usually allow for the capturing the impact of a full business-cycle which usually run from 7 to 10 years. Financial analysts have also found that forecasting beyond 10 years becomes extremely speculative, so will limit their forecast periods to 10 years, or less.

expenditures and income taxes to estimate expected net cash flows. The net result is an estimated GCV for RRRR of \$4.3 million. The RRRR GCV is included in Attachment No. 2.

The preparation of the DCF model and its resultant estimated value is discussed below.

### **1. Net Changes in Cash Flow**

To account for changes in net cash flow caused by the inclusion of non-cash expenses, capital expenditures and variances in cash receipts and disbursements, we made the following changes to RRRR's net income to estimate overall net changes in cash flows. First, depreciation and amortization were added back to offset the fact that these non-cash expenses are deducted from revenue in determining income taxes. Second, capital expenditures were deducted from the available cash flow since their cash flow impacts are not totally reflected in the income statement.

### **2. Terminal Value**

When determining the FMV of a business using a present value of future cash flows approach, the analyst must either forecast the cash flows into infinity or select a period of time to end the forecast period and add to the cash flows for the forecast period a "Terminal Value" that represents the value of the company at the end of the forecast period. The literature supports determining the terminal value using either a perpetual cash flow calculation or determining the market value of the entity at the end of the forecast period.<sup>16</sup>

RRRR is a company that is expected to transport a limited number of products with a limited finite life. As such, net cash flow streams originating from RRRR operations cannot be expected to last into perpetuity but can be expected to end at some currently unknown future date.

---

<sup>16</sup> *Handbook of Mergers, Acquisitions and Buyouts*, edited by Steven J. Lee and Robert D. Colman, Prentice-Hall, Inc. Englewood Cliff, New Jersey, 1981, pages 154-156.

Because RRRR's cash flows are expected to end sometime in the future, we the estimated NLV, adjusted for changes in expected prices, as a terminal value for the DCF analysis. Calculation of the terminal value is shown in Attachment No. 2.

### **3. RRRR's Estimated Discount Rate**

Estimating the discount rate applicable to RRRR requires estimating both the market rates of return on the railroad's debt and equity and the overall worth, or market capitalization, of the railroad. However, because RRRR's debt and equity are not publicly traded, we are required to look elsewhere for surrogates for these values.

Because short line railroads have different financial structures than the larger Class I railroads and face different market risks given the larger railroads, we estimated the RRRR's cost of capital based on publicly available estimates for short line and regional railroad operating companies. There are two (2) currently publicly traded short line railroad holding companies, Genesee & Wyoming, Inc. ("GWR") and Pioneer Railcorp ("PRRR"). Publicly available estimates of GWR's weighted average after-tax cost of capital ("WACC") range from 9.6 percent to 10.1 percent. While the PRRR's common equity is publicly traded, there is very little active trading on PRRR equity and Wall Street analysts have not produced estimates of the PRRR's WACC.

To estimate the RRRR's WACC, we therefore relied upon the higher end of the GWR's WACC estimate and added a 0.5 percent premium to adjust for the RRRR's smaller size. With this adjustment, we estimate the RRRR's after-tax WACC to equal 10.6 percent.

#### **IV. NET LIQUIDATION VALUE**

The FMV of the RRRR based on the NLV approach includes an evaluation of the rail properties owned by the RRRR. Specifically, the RRRR owned rail properties include the rail line between Parkdale, CO and Canon City, CO (12.7 mainline miles plus 4.22 siding miles) plus the equipment currently used in rail service. The NLV of rail property is defined in the Code of Federal Regulations at 49 C.F.R. §1152.34 as follows:

The value for the highest and best use, for non-rail purposes, of the rail properties. This value shall be determined by computing the current appraised market value of such properties for other than rail purposes, less all costs of dismantling and disposition of improvements necessary to make the remaining properties available for their highest and best use.

There are three (3) components included in the determination of the NLV of the RRRR: (1) net track salvage value; (2) equipment value; and (3) land value. Table 1 below sets forth the 1Q18 value we estimate for these components.

<b><u>Asset Category</u></b> (1)	<b><u>Net Liquidation Value</u></b> (2)
1. Track Assets	\$1,020,271
2. Equipment	\$3,436,000
3. Land	<u>\$73,195</u>
4. Total	\$4,529,466

Source: Attachment No. 8.

We estimated the NLV of the RRRR to equal \$4,529,466. Each of the component parts of the estimated NLV is discussed below under the following topical headings:

- A. RRRR Track Assets
- B. RRRR Equipment
- C. Land Value

**A. RRRR TRACK ASSETS**

Net track salvage value represents the salvage value of the rail assets in place less the cost of recovering the assets, or the liquidation cost. To determine the quantity of the component parts of the track of the RRRR and the condition of these component parts, we reviewed similar case findings by the STB, inspected the line using Google Earth Pro and researched other publicly available sources regarding the RRRR. Using this information, we estimated the quantities and condition of the RRRR rail assets, including rail, rail anchors, tie plates, track spikes, ties, joint bars and turnouts.

Table 2 below summarizes the estimated NLV of the RRRR track components.

Table 2 <b><u>Estimated Net Liquidation Value of RRRR Track Components -- 1Q18</u></b>	
Track Component <hr/>	Liquidation Value <hr/>
(1)	(2)
1. Rail	\$1,138,863
2. Other Track Material	531,060
3. Turnouts	100,429
4. Ties	<u>0</u>
5. Gross Salvage Value	\$1,770,352
6. Liquidation Cost	<u>(\$750,081)</u>
7. NLV of Track Assets	\$1,020,271
<hr/> Source: Attachment No. 8.	

The following is a description of the major property accounts included in Table 2 above and the development of their salvage value.

## 1. Rail

The RRRR main line and siding tracks presumably consist of several weights and types of rail.<sup>17</sup> Rail weight is defined as the weight of a three-foot section of rail. For example, a three-foot section which weighs 115 pounds is referred to as 115 lb. rail. Rail typically is installed in 39-foot sections, which are jointed together, or in one-quarter mile sections, which are welded together in the field. The 39-foot sections of rail are referred to as “jointed” rail and the one-quarter mile sections of rail are referred to as “continuous welded rail” (“CWR”).

For this Report, a field inspection of the rail line was not performed. Instead, we relied upon STB testimony that was submitted on behalf of the railroads in the UP/SP merger, as well as other publicly available sources, to determine the types of rail that make up the RRRR. For example, an examination of a portion of the Tennessee Pass between Sage, CO and Cañon City, CO was conducted by UP/SP for the UP/SP merger filings. In these filings, the line was broken up into two (2) segments: (1) Sage, CO to Malta, CO; and (2) Malta, CO to Cañon City, CO. The testimony filed with the STB did not identify the types of rail that make up the 69.10 mile Sage-Malta segment. However, there was testimony that identified the type and length of rail for the Malta, CO to Cañon City, CO segment. According to the verified statement of Mr. E. P. Reilly:

The main track consists of approximately 46.19 miles of 136 pound continuous welded rail (“CWR”), 132 pound CWR and jointed rail for 5.97 miles, 131 pound CWR for 12.71 miles, 112 pound jointed and CWR rail for 8.5 miles and 115 pound rail (jointed) for 35.63 miles. There are an additional 28.39 track miles of sidings.<sup>18</sup>

The current operations break the Malta, CO to Cañon City, CO segment at a different milepost than was utilized in the UP/SP merger, so we applied the percentages of rail type based

---

<sup>17</sup> As this is a “desktop analysis,” we have not confirmed the various types of rail along the RRRR, which would require a field inspection. We made assumptions about the various types of rail based on our experience and publicly available data, which are explained in this Report.

<sup>18</sup> See, STB Docket No. 32760 *UP/SP Merger*, Volume 5, Page 331.

on the 109.0 miles of main line from the Malta, CO to Cañon City, CO segment described above, to each of the mainline and siding segments for the entire RRRR from Parkdale, CO to Cañon City, CO.

Table 3 below displays the rail miles of the RRRR by estimated weight and type of rail.

<b><u>Rail Weight and Type of Rail</u></b> (1)	<b><u>Parkdale, CO to Cañon City, CO Rail Miles</u></b>		
	<b><u>Mainline</u></b> (2)	<b><u>Sidings</u></b> (3)	<b><u>Total</u></b> (4)
1. 136 lb. CWR	5.38	1.79	7.17
2. 132 lb. Jointed & CWR	0.70	0.23	0.93
3. 131 lb. CWR	1.48	0.49	1.97
4. 115 lb. Jointed	4.15	1.38	5.53
5. 112 lb. Jointed & CWR	0.99	0.33	1.32

To determine the NLV of a rail line, the rail is classified into rail that can be reused in other railroad applications and rail that cannot be reused. Rail that can be reused is termed “relay” or “fit” rail. Relay rail is salvaged rail that is in excellent condition and provides companies with the opportunity to “re-lay” the rail. Reroll rail does not have the ability to be re-laid but is able to be rerolled. Rerolled rail is converted into new products without having to re-melt the steel. Reroll rail typically has a slightly higher value than scrap. Rail that cannot be reused is sold as scrap steel.

Without a physical inspection of the line, it is not possible to identify the exact quality of the rail along RRRR. In absence of an inspection, we relied upon the verified statement of Ralph Lee Meadows, Jr. P.E., Charles H. Banks and John D. Ireland (all employed by R. L. Banks and Associates (“R. L. Banks”)) for the KCVN/CPRR Towner Line Opening Comments on behalf of

V&S Railway in order to determine the rail that would be categorized as relay, reroll or scrap.<sup>19</sup> In the V&S Railway Opening Comments, R. L. Banks provided two (2) sets of inventories of the Towner Line, the average of these classified 94.0 percent of the total rail as relay, 2.5 percent of the total rail as reroll and 3.6 percent of the total rail as scrap. Given that the Towner Line has been inactive since 2010 (less than 10 years), we believe that the rail classification percentages used by R. L. Banks are appropriate for the active rail segments that make up the RRRR, absent a field review.

The percentages of relay/reroll/scrap rail discussed above were applied to the 16.92 miles that make up the Parkdale, CO to Cañon City, CO segment owned by the RRRR, resulting in an estimated 15.90 miles of relay rail, 0.42 miles of reroll rail and 0.59 miles of scrap rail. This distribution results in 3,539 relay tons, 94 reroll tons and 131 scrap tons for a total of 3,764 tons. Due to the age of the rail line we assumed that 97 percent of the rail would be recovered. This 97 percent factor was applied to the tons listed above and results in a total of 3,651 tons that would be recovered.

Table 4 below displays both the weight and type of recoverable rail estimated in the main line and siding tracks that comprise the RRRR.

---

<sup>19</sup> See, STB Docket No. FD 36005, *KCVN, LLC and Colorado Pacific Railroad, LLC-Feeder Line Application-Comments of V and S Railway, LLC*, Volume I, Page 23, filed on August 30, 2016.

Table 4  
**Estimated RRRR Recoverable Rail Weight by Type and Weight**  
(Tons)

<u>Rail Weight and Type</u>	<u>Relay</u>	<u>Reroll</u>	<u>Scrap</u>	<u>Total</u>
(1)	(2)	(3)	(4)	(5)
1. 112 lb. jointed & CWR	237.10	5.73	7.64	250.47
2. 115 lb. jointed	1,020.91	27.49	39.27	1,087.67
3. 131 lb. CWR	413.74	11.18	15.66	440.58
4. 132 lb. jointed & CWR	196.06	4.51	6.76	207.33
5. 136 lb. CWR	<u>1,564.89</u>	<u>41.79</u>	<u>58.04</u>	<u>1,664.72</u>
6. Total Rail Tons	3,432.70	90.70	127.37	3,650.77

Source: Attachment No. 9.

The price of relay rail is expressed in terms of dollars per net ton and varies depending on the weight and type of rail. The cost of relay rail removal varies by rail weight.

On January 2, 2018, we received quotes for each rail type considered in this analysis from Harmer Steel and Progress Rail, ranging from \$140 per ton for 112 lb. CWR and jointed rail to \$420 per ton for 115 lb. CWR and jointed rail. These price quotes are based on the current market for rail and are subject to change as the market changes. Reroll and scrap are sold on a dollar per gross ton basis and do not vary by weight per yard or type of rail. The current reroll and scrap values are based on May 7, 2018 American Metal Market (“AMM”) scrap iron and steel prices. For the price of reroll rail, we used the “Chicago Rerolling rails” price of \$390 per gross ton, which equates to \$348 per net ton.<sup>20</sup> We also used the “Chicago No. 1 Heavy Melt” price of \$320 per gross ton for scrap which equates to \$286 per net ton.<sup>21</sup> Attachment No. 9 to this Report sets forth the classification of the weight and type of rail and estimated salvage value in the RRRR mainline and siding tracks.

<sup>20</sup> \$390 per gross ton x (2,000 lbs. per net ton ÷ 2,240 lbs. per gross ton) = \$348 per net ton.

<sup>21</sup> \$320 per gross ton x (2,000 lbs. per net ton ÷ 2,240 lbs. per gross ton) = \$286 per net ton.

Table 5  
**Rail Liquidation Value -- 1Q18**

<u>Rail Type</u>	<u>Reusable Tons</u>	<u>Value per Ton</u>	<u>Liquidation Value</u>
(1)	(2)	(3)	(4)
1. Relay	3,432.70	\$140 - \$420	\$1,070,889
2. Reroll	90.70	\$348	\$31,583
3. Scrap	<u>127.37</u>	\$286	<u>\$36,391</u>
4. Rail Liquidation Value	3,650.77	xxx	\$1,138,863

Source: Attachment No. 9.

Table 5 above shows the estimated liquidation value for rail by type of rail for the RRRR mainline and siding tracks.

## **2. Crossties**

For purposes of this Report, we assumed that crossties on the main line are spaced at intervals of 19.5 inches, or 3,249 ties per mile of rail,<sup>22</sup> which results in 54,977 total ties on the RRRR.<sup>23</sup> Ties are classified as reusable for railroad purposes (relay), reusable for landscape purposes (landscape), or as scrap in the development of the NLV. As the RRRR has been active since 1996, we assumed the percentage of ties reusable for relay is equal to two (2) percent, the percentage of ties reusable for landscape and qualified for landscape #1 class<sup>24</sup> is assumed to equal 31 percent, the percentage of ties reusable for landscape and qualified for landscape #2 class is assumed to equal 31 percent and the percentage of scrap is assumed to equal 36 percent.

Crossties that are reusable for railroad purposes were valued at \$14.50 each and ties that are useable for landscape purposes were valued at \$2.50 each. Given the fact that scrap ties must be removed and disposed of, scrap ties have been assigned a negative value of \$11 each to account

<sup>22</sup> (5,280 feet per mile x 12 inches per foot) ÷ 19.5 inches between ties = 3,249 ties per mile.

<sup>23</sup> 3,249 ties per mile x 16.92 miles = 54,977 ties.

<sup>24</sup> Landscape #1 ties are those which were salvaged with at least three solid sides and no more than half an inch width in any splitting at the ends of the tie.

for the proper disposal of used railroad ties. In addition, we assumed that the cost to remove each of the 54,977 ties will equal \$3.00 per tie. We determined that the cost to remove and dispose of the ties that make up the RRRR is greater than the value obtained by selling the landscape ties. Therefore, we assumed that the NLV for crossties on the RRRR is zero for purposes of this desk-top analysis.

Table 6 below sets forth the estimated salvage value of RRRR ties.

<u>Salvage Type</u>	<u>Ties</u>	<u>Value per Tie</u>	<u>Liquidation Value 1/</u>
(1)	(2)	(3)	(4)
1. Relay	1,099	\$14.50	\$15,936
2. Landscape #1	17,043	\$2.50	\$42,608
3. Landscape #2	17,043	\$2.50	\$42,608
4. Scrap	19,792	(\$11.00)	(\$217,712)
5. Tie Removal	<u>54,977</u>	(\$ 3.00)	<u>(\$164,931)</u>
6. Tie Liquidation Value	54,977	xxx	(\$281,491)

Source: Attachment No. 10.  
1/ Column (2) x Column (3).

### **3. Other Track Material**

Other track material (“OTM”) consists of the material required to hold the rail in place along the tracks and includes such things as tie plates, joint bars, rail anchors, track spikes and bolts and washers. OTM is typically labeled as relay or scrap. The miles determined to be relay for rail were also assumed to be relay for OTM for RRRR. The segments that are reroll or scrap for rail were assumed to be scrap for OTM, with the exception of spikes, bolts and washers which are assumed to be all scrap.

We calculated the necessary tons for each OTM category and applied the unit prices in order to develop the total estimated OTM liquidation value. Table 7 below summarizes the liquidation value for OTM on the RRRR.

Table 7  
**Estimated RRRR Other Track Material Liquidation Value -- 1Q18**

<u>Item</u>	<u>Unit</u>	<u>Amount</u>	<u>Value per Unit</u>	<u>Liquidation Value 1/</u>
(1)	(2)	(3)	(4)	(5)
1. Relay Tie Plates	Reusable Ties	100,226	\$3.93	\$393,387
2. Scrap Tie Plates	Reusable Scrap Tons	81	\$285.71	\$23,143
3. Relay Joint Bars	Reusable Joint Bars	1,920	\$27.50	\$52,800
4. Scrap Joint Bars	Reusable Scrap Tons	6	\$285.71	\$1,714
5. Relay Welded Rail Anchors	Reusable Anchors	55,623	\$0.52	\$28,924
6. Relay Jointed Rail Anchors	Reusable Anchors	15,836	\$0.52	\$8,235
7. Scrap Rail Anchors	Reusable Scrap Tons	3	\$285.71	\$857
8. Scrap Spikes	Reusable Scrap Tons	59	\$285.71	\$16,857
9. Scrap Bolt & Washers	Reusable Scrap Tons	18	\$285.71	\$5,143
10. OTM Liquidation Value				<u>\$531,060</u>

Source: Attachment No. 11.

1/ Column (3) x Column (4).

Attachment No. 11 shows our development of the estimated RRRR OTM ton classifications and value calculations.

#### **4. Turnouts**

Using Google Earth Pro, we reviewed the RRRR to identify the number of turnouts on the rail line. We estimated that Parkdale, CO to Cañon City, CO has 14 turnouts that are 136 lb. rail relay turnouts, 10 are either 112 lb. or 115 lb. rail relay turnouts and one (1) is a scrap turnout. The estimated unit cost per turnout for removal of the 136 lb. rail turnouts is \$4,000 based on the January 2, 2018 unit costs provided by Harmer Steel and Progress Rail. This equates to a total cost of \$56,000 for removal of the 14 136 lb. turnouts. For the 112/115 lb. rail turnouts, we assumed a \$4,300 unit cost per turnout for removal based on the January 2, 2018 unit costs provided by Harmer Steel and Progress Rail.

Table 8 below summarizes the estimated liquidation value for turnouts on the RRRR.

<u>Salvage Type</u>	<u>Quantity</u>	<u>Value per Unit</u>	<u>Liquidation Value 1/</u>
(1)	(2)	(3)	(4)
1. Relay 136 lb. No. 10 Turnouts	14	\$4,000	\$56,000
2. Relay 112/115 lb. No. 10 Turnouts	10	\$4,300	\$43,000
3. Scrap – Reusable Tons	5	\$286	<u>\$1,429</u>
4. Turnout Liquidation Value	xxx	xxx	\$100,429

Source: Attachment No. 12.  
1/ Column (2) x Column (3).

Attachment No. 12 shows our calculations of the estimated gross salvage value of RRRR turnouts.

### **5. Removal and Restoration (Recovery) Cost**

The salvage values set forth above are all gross salvage values, i.e., they do not include the cost of recovery or removal of the assets from their current location.<sup>25</sup> We developed the relay rail and relay OTM removal costs, the scrap rail and scrap OTM removal costs, the relay turnout removal costs, the scrap turnout removal costs and the costs to restore public and private highway crossings to calculate the total estimated recovery costs for the RRRR.

In order to determine these costs, we relied upon the unit costs used by Gerald W. Fauth III (“Fauth”) for the KCVN/CPRR Feeder Line Application.<sup>26</sup> These unit costs were used by both KCVN and V&S and these unit costs are consistent with what we seen in other studies. We also used Google Earth Pro to estimate the number of public and private crossings that must be restored.

<sup>25</sup> Except for scrap ties which are discussed above and are net of recovery costs.

<sup>26</sup> See, STB Docket No. FD 36005, *KCVN, LLC and Colorado Pacific Railroad, LLC-Feeder Line Application-Line of V and S Railway, LLC*, Volume I, Page 4 of Appendix GWF-7, filed on March 18, 2016.

Table 9 below details the amounts we subtracted from our estimated gross liquidation values to account for removal and recovery costs.

<b>Item</b>	<b>Quantity</b>	<b>Units</b>	<b>Cost per Unit</b>	<b>Total Cost</b>
(1)	(2)	(3)	(4)	(5)
1. Fit Rail and OTM	15.90	Miles	\$16,000	\$254,400
2. Scrap Rail and OTM	1.01	Miles	\$12,000	\$12,120
3. Fit Turnouts	24	Turnout	\$800	\$19,200
4. Scrap Turnouts	1	Turnout	\$500	\$500
5. Public Highway Crossings	4	Crossing	\$2,000	\$8,000
6. Private Highway Crossings	4	Crossing	\$300	<u>\$1,200</u>
7. Total Recovery Costs	--	--	--	\$295,420

Source: Attachment No. 12.

Attachment No. 12 to this Report details the removal and restoration costs for the RRRR.

#### **6. Marketing and Disposition Costs**

In addition to removal and restoration costs, it is also necessary to include the costs to market the assets and to administer the disposal process. Based on our experience, we assumed that relay marketing and disposition costs are equal to 15 percent of the relay gross liquidation value and scrap marketing and disposition costs are equal to five (5) percent of the reroll and scrap gross liquidation value. The total estimated marketing and disposition costs equal \$253,841.

Attachment No. 8, Line 18 summarizes the development of the marketing and disposition costs included in this analysis.

#### **7. Transportation Costs**

Transportation costs for transporting the assets to market must also be considered. Chicago, IL is the key market in the United States for used and scrap rail assets. It is also possible to deliver scrap to Evraz Rocky Mountain Steel, which is a vendor in nearby Pueblo, CO. Evraz

does not accept relay or reroll rail, so it would still be necessary to ship these assets to Chicago. Given that Chicago is much further than Pueblo and results in higher transportation costs, we assumed all of the scrap assets would be shipped to Pueblo. We reviewed current rail tariffs for the movement of relay, scrap and reroll steel products from the RRRR<sup>27</sup> to Chicago and Pueblo. The current tariff charge per rail car is \$5,157 to transport the relay and reroll assets to Chicago and \$1,896 per rail car is the current tariff charge to transport scrap assets to Pueblo. We used these rates to calculate the total estimated transportation costs of \$200,820.

Attachment No. 14 identifies the number of railcars needed, along with the cost per railcar, required to transport relay, reroll and scrap material from the RRRR to Pueblo and Chicago.

## **8. Summary Before Land and Equipment**

The NLV of the RRRR equals the gross salvage value (\$1,770,352) less removal and restoration costs (\$295,420), marketing and disposition costs (\$253,841) and transportation costs (\$200,820). Subtracting these costs from the gross salvage value produces an NLV for the RRRR track assets equal to \$1,020,271.

## **B. EQUIPMENT**

Publicly available information indicates the RRRR owns various pieces of railroad operating equipment, including locomotives and rail cars. The market for used railroad operating equipment is extremely liquid and even equipment in marginal operating condition retains value.

Publicly available locomotive rosters indicate the RRRR currently owns and operates four (4) locomotives. Table 10 below identifies the locomotives and their current estimated market value based on recent sales of similar locomotives.

---

<sup>27</sup> Assumes Pueblo, CO is the point of origin.

<u>Unit Number</u>	<u>Type</u>	<u>Use</u>	<u>Market Value</u>
(1)	(2)	(3)	(4)
1. RRRR 201	GP40 – 2	Road	\$275,000
2. RRRR 301	GP40	Road	\$275,000
3. RRRR401	GP40	Road	\$275,000
4. RRRR1347	40 WDT	Switching	<u>\$35,000</u>
5. Total			<u>\$860,000</u>

Source: Sterling Rail Inc. locomotive sales reports.

As shown in Table 10 above, the estimated market value for the four (4) RRRR locomotives is estimated to equal \$860,000.

In addition to locomotives, publicly available railcar rosters indicate that RRRR owns 262 railcars of various types. Table 11 below identifies the numbers and types of railcars and their estimated current market values.

<u>Railcar Type</u>	<u>Number</u>	<u>Value Per Car</u>	<u>Market Value</u>
(1)	(2)	(3)	(4)
1. Open Hopper	177	\$10,000	\$1,770,000
2. Gondola	71	\$10,000	\$710,000
3. Flat	2	\$5,000	\$10,000
4. Box	3	\$12,000	\$36,000
5. Caboose	1	\$15,000	\$15,000
6. Miscellaneous	<u>7</u>	\$5,000	<u>\$35,000</u>
7. Total	261		<u>\$2,576,000</u>

Source: Sterling Rail Inc. locomotive sales reports.

As shown in Table 11 above, the estimated value of the RRRR railcar fleet is \$2.576 million. These values are based on the low-end of reported sales as reported by Sterling Rail Inc. and assume the railcars are in working order and sold in place.

### C. LAND VALUE

The mainline and siding tracks on the RRRR extend from Parkdale, CO to Cañon City, CO. The terrain in this region is predominantly mountainous, with the mainline running through Fremont County.

The RRRR is located on both reversionary acres and non-reversionary acres. Reversionary land is land which is not owned by the railroad and thus cannot be sold. We developed the value of the Tennessee Pass non-reversionary acres, i.e., land that is owned by the railroad and can be sold, based on data in the 1995 UP/SP merger application. The 1995 UP/SP merger application identified the reversionary and non-reversionary acres that make-up the Tennessee Pass.<sup>28</sup>

Table 12 below summarizes the reversionary and non-reversionary acres identified in the UP/SP merger application for the segments of the Tennessee Pass.

<u>Segment</u>	<u>Total Acres</u>	<u>Reversionary Acres</u>	<u>Non-Reversionary Acres</u>
(1)	(2)	(3)	(4)
1. Sage, CO to Malta, CO	1,336.00	1,231.00	105.00
2. Malta, CO to Leadville, CO	70.00	30.00	40.00
3. Malta, CO to Cañon City, CO	<u>2,487.00</u>	<u>2,233.95</u>	<u>253.05</u>
4. Total	3,893.00	3,494.95	398.05

Source: Attachment No. 16.

We estimated non-reversionary acres for the RRRR using a weighted average non-reversionary acre per mile, weighted on miles, using the Tennessee Pass segments included in the

<sup>28</sup> See, STB Docket No. 32760 *UP/SP Merger*, Volume 5, page 293 for Sage, CO to Malta, CO and Malta, CO Leadville, CO segments and Page 343 for Malta, CO to Cañon City, CO segment.

UP/SP merger application. We estimated 2.22 non-reversionary acres per mile, which we applied to the miles that make up the RRRR land.

The UP/SP merger application also states that the non-reversionary acres that make up the Malta-Cañon City segment have an NLV of \$378,000. This equates to \$1,493.78 per acre. We indexed this per acre value to a 2017 value of \$2,614 per acre using the United States Department of Agriculture’s National Agricultural Statistics Service. We then applied the \$2,614 per acre unit cost to each segment’s non-reversionary acres.

As shown in Table 13 below, the total land value for Parkdale, CO to Cañon City, CO equals \$73,195.

<u>Segment</u>	<u>Non- Reversionary Acres</u>	<u>Estimated Value Per Acre</u>	<u>Total Land Value</u>
(1)	(2)	(3)	(4)
1. Parkdale, CO to Cañon City, CO	28.00	\$2,614	\$73,195

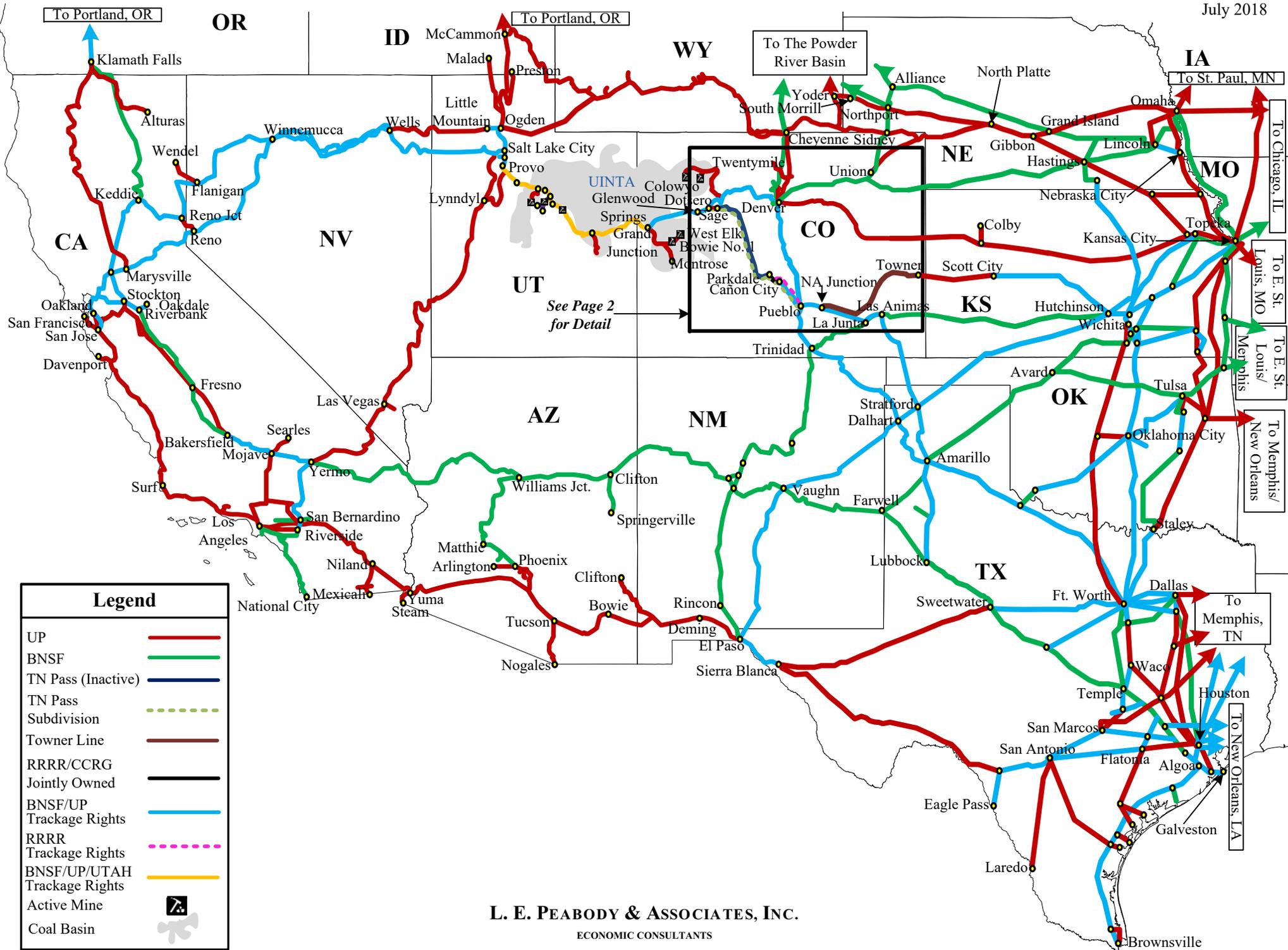
Source: Attachment No. 16.

In total, the NLV of the RRRR, including track assets, equipment and land, is estimated to equal \$4,529,466.

## LIST OF ATTACHMENTS

<u>ATTACHMENT NO.</u>	<u>ATTACHMENT DESCRIPTION</u>
(1)	(2)
1	Schematic of Tennessee Pass Subdivision and Surrounding Rail Lines
2	Summary of Income Statement and Cash Flow For RRRR – 2018 to 2027
3	RRRR Forecasted Revenues and Operating Expense
4	RRRR Capital Investments and Tax Depreciation
5	RRRR Income Tax Calculations
6	RRRR Terminal Net Liquidation Value
7	Unit Cost Calculations for RRRR Going Concern Value
8	RRRR Net Liquidation Value Summary
9	RRRR Assets Gross Salvage Value (“GSV”)
10	RRRR Gross Salvage Value (“GSV”) For Ties
11	RRRR Gross Salvage Value (“GSV”) For Other Track Material (“OTM”)
12	RRRR Turnout Gross Salvage Value (“GSV”)
13	RRRR Removal and Restoration Costs
14	RRRR Asset Transportation Costs
15	RRRR Equipment Values
16	RRRR Estimated Value of Land

# Schematic of Tennessee Pass Subdivision and Surrounding Rail Lines



Legend	
UP	
BNSF	
TN Pass (Inactive)	
TN Pass Subdivision	
Towner Line	
RRRR/CCRG Jointly Owned	
BNSF/UP Trackage Rights	
RRRR Trackage Rights	
BNSF/UP/UTAH Trackage Rights	
Active Mine	
Coal Basin	



**Summary of Income Statement And Cash Flow For RRRR - 2018 to 2027**

<u>Item</u> (1)	<u>Source</u> (2)	<u>2018</u> (3)	<u>2019</u> (4)	<u>2020</u> (5)	<u>2021</u> (6)	<u>2022</u> (7)	<u>2023</u> (8)	<u>2024</u> (9)	<u>2025</u> (10)	<u>2026</u> (11)	<u>2027</u> (12)	<u>Cumulative</u> (13)
<b><u>I. INCOME STATEMENT</u></b>												
1. Aggregate Revenues	1/	\$2,925,000	\$2,941,859	\$3,048,631	\$3,158,213	\$3,250,937	\$3,338,040	\$3,433,573	\$3,526,297	\$3,610,591	\$3,700,504	xxx
2. Operating Expenses												
a. Crew Costs	2/	\$1,044,457	\$1,051,578	\$1,084,811	\$1,118,044	\$1,139,408	\$1,148,903	\$1,160,772	\$1,177,388	\$1,191,631	\$1,205,873	xxx
b. Operating Expenses	3/	\$807,352	\$812,856	\$838,545	\$864,233	\$880,747	\$888,087	\$897,261	\$910,106	\$921,115	\$932,124	xxx
c. General & Administrative	4/	\$232,087	\$233,669	\$241,054	\$248,438	\$253,186	\$255,295	\$257,933	\$261,625	\$264,790	\$267,955	xxx
d. Ad Valorem Taxes	5/	\$245,261	\$246,933	\$254,737	\$262,541	\$267,558	\$269,787	\$272,574	\$276,476	\$279,821	\$283,165	xxx
e. Insurance	6/	\$87,334	\$87,929	\$90,708	\$93,487	\$95,273	\$96,067	\$97,060	\$98,449	\$99,640	\$100,831	xxx
f. Total Operating Expenses	Sum L.2a. to L.2f.	\$2,416,491	\$2,432,967	\$2,509,855	\$2,586,743	\$2,636,172	\$2,658,140	\$2,685,600	\$2,724,044	\$2,756,996	\$2,789,948	xxx
3. Earnings Before Taxes, Depreciation and Amortization	L.1 - L.2e.	\$508,509	\$508,892	\$538,776	\$571,470	\$614,765	\$679,901	\$747,974	\$802,253	\$853,595	\$910,556	xxx
4. Depreciation and Amortization	7/	\$0	\$195,509	\$201,688	\$368,434	\$375,475	\$313,703	\$160,366	\$140,713	\$126,055	\$115,959	xxx
5. Earnings Before Taxes	L.3 - L.4	\$508,509	\$313,383	\$337,088	\$203,035	\$239,290	\$366,197	\$587,608	\$661,540	\$727,540	\$794,597	xxx
6. Income Taxes Net of Operating Losses	8/	\$80,937	\$32,823	\$38,668	\$5,614	\$14,554	\$45,846	\$100,441	\$118,671	\$134,945	\$151,479	xxx
7. Net Earnings	L.5 - L.6	\$427,573	\$280,560	\$298,420	\$197,422	\$224,737	\$320,351	\$487,167	\$542,870	\$592,595	\$643,118	xxx
<b><u>II. CASH FLOW</u></b>												
8. Capital Outlays (-)	9/	\$0	\$195,509	\$201,688	\$368,434	\$375,475	\$378,604	\$215,810	\$218,899	\$221,547	\$224,195	xxx
9. Depreciation and Amortization (+)	L.4	\$0	\$195,509	\$201,688	\$368,434	\$375,475	\$313,703	\$160,366	\$140,713	\$126,055	\$115,959	xxx
10. Free Cash Flow	L.7 - L.8 + L.9	\$427,573	\$280,560	\$298,420	\$197,422	\$224,737	\$255,451	\$431,723	\$464,683	\$497,103	\$534,881	xxx
<b><u>III. NET PRESENT VALUE OF CASH FLOW</u></b>												
11. Net Present Value at 10.6% Discount Rate												
a. Discount Rate	Estimated	xxx	xxx	xxx	10.60%							
b. 2018 through 2027	L.10 ÷ 1.106 ^ (Year - 2017.5)	\$406,567	\$241,209	\$231,975	\$138,756	\$142,816	\$146,776	\$224,283	\$218,270	\$211,119	\$205,392	xxx
c. Terminal Value	10/ ÷ 1.106 ^ 9.5 years	xxx	xxx	\$2,152,499	xxx							
d. Cumulative Value	Sum L.11b. to L.11c.	xxx	xxx	xxx	<b>\$4,319,661</b>							

- 1/ Attachment No. 3, Line 11.  
2/ Attachment No. 3, Line 12.  
3/ Attachment No. 3, Line 13.  
4/ Attachment No. 3, Line 14.  
5/ Attachment No. 3, Line 15.  
6/ Attachment No. 3, Line 16.  
7/ Attachment No. 4, Line 16  
8/ Attachment No. 5, Line 9  
9/ Attachment No. 4, Line 3  
10/ Attachment No. 6, Line 4. Column (4)

**RRRR Forecasted Revenues and Operating Expense**

<u>Item</u> (1)	<u>Source</u> (2)	<u>Unit Price</u> (3)	<u>2018</u> (4)	<u>2019</u> (5)	<u>2020</u> (6)	<u>2021</u> (7)	<u>2022</u> (8)	<u>2023</u> (9)	<u>2024</u> (10)	<u>2025</u> (11)	<u>2026</u> (12)	<u>2027</u> (13)
1. Winter Trains Per Week	1/		2	2	2	2	2	2	2	2	2	2
2. Summer Trains Per Week	1/		4	4	4	4	4	4	4	4	4	4
3. Trains Per Year	(52 Weeks Per Year ÷ 2 x L.1) + (52 Weeks Per Year ÷ 2 x L.2)		156	156	156	156	156	156	156	156	156	156
4. Annual Tons	L.3 x L.7 x L.8		780,000	780,000	780,000	780,000	780,000	780,000	780,000	780,000	780,000	780,000
5. Operating Miles	2/		53.8	53.8	53.8	53.8	53.8	53.8	53.8	53.8	53.8	53.8
6. Ownership Miles	3/		12.7	12.7	12.7	12.7	12.7	12.7	12.7	12.7	12.7	12.7
7. Tons per Car	4/		100	100	100	100	100	100	100	100	100	100
8. Cars Per Train	5/		50	50	50	50	50	50	50	50	50	50
9. Locomotives Owned	6/		4	4	4	4	4	4	4	4	4	4
10. Crew Personnel Requirement	7/		10	10	10	10	10	10	10	10	10	10
11. Revenue	L.4 x L.11 Col (3) x RCAF-U.	\$3.75 8/	\$2,925,000	\$2,941,859	\$3,048,631	\$3,158,213	\$3,250,937	\$3,338,040	\$3,433,573	\$3,526,297	\$3,610,591	\$3,700,504
12. Crew Costs	L.10 x L.12 Col (3) x RCAF-A.	\$104,446 9/	\$1,044,457	\$1,051,578	\$1,084,811	\$1,118,044	\$1,139,408	\$1,148,903	\$1,160,772	\$1,177,388	\$1,191,631	\$1,205,873
13. Other Operating Expenses	L.5 x L.13 Col (3) x RCAF-A.	\$15,007 10/	\$807,352	\$812,856	\$838,545	\$864,233	\$880,747	\$888,087	\$897,261	\$910,106	\$921,115	\$932,124
14. General & Administrative	(Sum L.12 to L. 13) x L.14 Col (3)	12.5% 11/	\$232,087	\$233,669	\$241,054	\$248,438	\$253,186	\$255,295	\$257,933	\$261,625	\$264,790	\$267,955
15. Ad Valorem Taxes	L.6 x L.15 Col (3) x RCAF-A.	\$19,312 12/	\$245,261	\$246,933	\$254,737	\$262,541	\$267,558	\$269,787	\$272,574	\$276,476	\$279,821	\$283,165
16. Insurance	Sum of L.12 to L. 15 x L.16 Col	3.75% 13/	\$87,334	\$87,929	\$90,708	\$93,487	\$95,273	\$96,067	\$97,060	\$98,449	\$99,640	\$100,831
17. Total Expense	Sum of L.12 to L.16		\$2,416,491	\$2,432,967	\$2,509,855	\$2,586,743	\$2,636,172	\$2,658,140	\$2,685,600	\$2,724,044	\$2,756,996	\$2,789,948
18. Expense per Ton-mile	L.16 ÷ (L.4 x L.5)		0.05758	0.05798	0.05981	0.06164	0.06282	0.06334	0.06400	0.06491	0.06570	0.06648

1/ A 2015 article quotes RRRR as stating "We have been shipping about four trains per week, but that slows down as winter approaches." For this analysis we have assumed 2 trains per week in the winter and 4 trains per week in the summer.

2/ RRRR Net Liquidation Value Attachment No. 9 Line 3 Col (2)

3/ RRRR Net Liquidation Value Attachment No. 9 Line 1 Col (2)

4/ A 2001 article discuss RRRR trains operating with approximately 100 tons per car. This is consistent with the 2016 Public Use Waybill data for STCC 14219.

5/ Various articles from 2001-2015 discuss RRRR trains operating with 40-60 rail cars per train. For this analysis we have assumed 50 cars per train.

6/ Public data and photos show that RRRR trains operate with a 2 locomotive configuration and that Rock & Rail currently has 4 locomotives in operation.

7/ A 2017 article which quotes the President of RRRR as stating "Rock & Rail has 10 employees."

8/ 2016 Public Use Waybill Cost Per Ton for STCC 14219 originating in region 3 and moving to region 3 or region 4 moving 70 miles.

9/ Attachment No. 7, Line 6 Column (4)

10/ Attachment No. 7, Line 12 Column (4)

11/ Attachment No. 7, Line 31 Column (4)

12/ Attachment No. 7, Line 39 Column (4)

13/ NOR 42142 Consumers Energy v. CSXT STB Decision dated January 11, 2018 at page 161.

**RRRR Capital Investments and Tax Depreciation**

<u>Item</u> (1)	<u>Life (Years)</u> (2)	<u>2018</u> (3)	<u>2019</u> (4)	<u>2020</u> (5)	<u>2021</u> (6)	<u>2022</u> (7)	<u>2023</u> (8)	<u>2024</u> (9)	<u>2025</u> (10)	<u>2026</u> (11)	<u>2027</u> (12)	<u>Totals</u> (13)
1. Maintenance of Way Program Spending 1/	7	\$0	\$195,509	\$201,688	\$207,866	\$211,838	\$213,604	\$215,810	\$218,899	\$221,547	\$224,195	\$1,910,957
2. Equipment Overhaul 2/	7	\$0	\$0	\$0	\$160,568	\$163,636	\$165,000	\$0	\$0	\$0	\$0	\$489,205
<b>3. Total Capital</b>		<b>\$0</b>	<b>\$195,509</b>	<b>\$201,688</b>	<b>\$368,434</b>	<b>\$375,475</b>	<b>\$378,604</b>	<b>\$215,810</b>	<b>\$218,899</b>	<b>\$221,547</b>	<b>\$224,195</b>	<b>\$2,400,162</b>
<b><u>B. Initial Tax Depreciation 3/</u></b>												
4. 7-Year Capital	7	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
5. 20-Year Capital	20	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
<b><u>C. 2018 Additions 3/</u></b>												
6. 7-Year Capital	7	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
<b><u>D. 2019 Additions 3/</u></b>												
7. 7-Year Capital	7		\$195,509	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$195,509
<b><u>E. 2020 Additions 3/</u></b>												
8. 7-Year Capital	7			\$201,688	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$201,688
<b><u>F. 2021 Additions 3/</u></b>												
9. 7-Year Capital	7				\$368,434	\$0	\$0	\$0	\$0	\$0	\$0	\$368,434
<b><u>G. 2022 Additions 3/</u></b>												
10. 7-Year Capital	7					\$375,475	\$0	\$0	\$0	\$0	\$0	\$375,475
<b><u>H. 2023 Additions 3/</u></b>												
11. 7-Year Capital	7						\$313,703	\$18,544	\$13,244	\$9,458	\$6,762	\$361,710
<b><u>I. 2024 Additions 3/</u></b>												
12. 7-Year Capital	7							\$141,822	\$21,141	\$15,098	\$10,782	\$188,843
<b><u>J. 2025 Additions 3/</u></b>												
13. 7-Year Capital	7								\$106,328	\$32,165	\$22,971	\$161,465
<b><u>K. 2026 Additions 3/</u></b>												
14. 7-Year Capital	7									\$69,334	\$43,406	\$112,740
<b><u>L. 2027 Additions 3/</u></b>												
15. 7-Year Capital	7										\$32,038	\$32,038
<b><u>M. Total</u></b>												
16. Total Annual Depreciation and		<b>\$0</b>	<b>\$195,509</b>	<b>\$201,688</b>	<b>\$368,434</b>	<b>\$375,475</b>	<b>\$313,703</b>	<b>\$160,366</b>	<b>\$140,713</b>	<b>\$126,055</b>	<b>\$115,959</b>	<b>\$1,997,900</b>

1/ Attachment No. 7, Line 26 Column (4) x Attachment No. 2, Line 6 adjusted annually by the change in the RCAF-A.

2/ GP40 locomotive overhaul costs based on overhaul costs reported in STB decisions. The RRRR is assumed to overhaul one (1) locomotive per year starting in 2021.

3/ The Tax Cuts and Jobs Act of 2017 provides for 100 percent bonus depreciation of assets through 2022. After 2022, bonus depreciation declines in 20 percent increments until expiring at year end 2026.

Any property remaining after application of bonus depreciation is assumed to be placed in service mid-year using the depreciation 2017 Publication 946 Depreciation Table A-1 schedule.

**RRRR Income Tax Calculations**

<u>Item</u> (1)	<u>Source</u> (2)	<u>2018</u> (3)	<u>2019</u> (4)	<u>2020</u> (5)	<u>2021</u> (6)	<u>2022</u> (7)	<u>2023</u> (8)	<u>2024</u> (9)	<u>2025</u> (10)	<u>2026</u> (11)	<u>2027</u> (12)
1. <b>Earnings (Loss) Before Taxes</b>	1/	\$508,509	\$313,383	\$337,088	\$203,035	\$239,290	\$366,197	\$587,608	\$661,540	\$727,540	\$794,597
2. <b>Net Operating Loss Generated</b>	If L.1 is less than zero, then L.1, otherwise zero.	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
3. <b>Net Operating Loss Plus Carryforward</b>	If L.2 is greater than zero, then L.2, otherwise or prior year L.5 + L.2	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
4. <b>Carryforward Utilized</b>	If L.3 is greater than zero, then zero. If L.1 is less than zero, then zero. If L.1 + L.3 is less than or equal to zero, then L.1 x 80% per tax law in effect Jan. 1, 2018 If L.1 + L.3 is greater than zero, then lesser of L.1 x 80% per tax law in effect Jan. 1, 2018 or negative L.3	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
5. <b>Carryforward Remaining</b>	L.3 + L.4	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
6. <b>Taxable Income</b>	If L.1 is greater than zero, then L.1 - L.4, otherwise zero.	\$508,509	\$313,383	\$337,088	\$203,035	\$239,290	\$366,197	\$587,608	\$661,540	\$727,540	\$794,597
7. <b>Income Taxes Before Credits</b>	L. 6 x Income Tax Rate of 24.66% 2/	\$125,387	\$77,273	\$83,118	\$50,064	\$59,004	\$90,296	\$144,891	\$163,121	\$179,395	\$195,929
8. <b>Maintenance Tax Credit</b>	Attachment No. 3, L.6 x \$3,500 3/	\$44,450	\$44,450	\$44,450	\$44,450	\$44,450	\$44,450	\$44,450	\$44,450	\$44,450	\$44,450
9. <b>Total Income Taxes</b>	L.7 - L.8	\$80,937	\$32,823	\$38,668	\$5,614	\$14,554	\$45,846	\$100,441	\$118,671	\$134,945	\$151,479

1/ Attachment No. 2, Line 5

2/ Federal Corporate Income Tax Rate 21.00%  
State Corporate Income Tax Rate 4.63%  
Total Corporate Income Tax Rate 24.66%

3/ The regional and short line railroad investment tax credit (known as 45G for its provision in the Internal Revenue Code), provides for a \$3,500 per track mile tax credit to short line and regional railroads for qualified maintenance expenditures. The tax credit is assumed to be extended through 2027 as it has been continuously extended by Congress over the last 14 years.

**RRRR Terminal Net Liquidation Value**

<u>Category</u> (1)	<u>2018</u> (2)	<u>Index</u> (3)	<u>2027</u> (4)
1. Total Net Liquidation Value of Track Assets	\$1,020,271 1/	1.411 5/	\$1,439,996 8/
2. Liquidation Value of Equipment	\$3,436,000 2/	1.184 6/	\$4,068,653 8/
3. Land Valuation	<u>\$73,195</u> 3/	1.324 7/	<u>\$96,881</u> 8/
4. Total Net Liquidation Value	\$4,529,466 4/		\$5,605,530 4/

---

1/ RRRR Net Liquidation Value Attachment No. 8 Line 21 Col (3)

2/ RRRR Net Liquidation Value Attachment No. 8 Line 22 Col (3)

3/ RRRR Net Liquidation Value Attachment No. 8 Line 23 Col (3)

4/ L. 1 + L. 2 + L. 3

5/ Adjusted by the forecasted change in the AAR Materials and Supplies Index between 2018 and 2027.

6/ Adjusted by the forecasted change in the AAR Equipment Rents Index between 2018 and 2027.

7/ Assumed 3.6% annual growth rate based on actual USDA growth rate for Colorado agriculture land, including buildings between 1980 and 2017.

8/ Column (2) x Column (3).

<u>Item</u> (1)	<u>Source</u> (2)	<u>Item</u> (3)	<u>Value</u> (4)
<b><u>A. Crew Wages</u></b>			
1. Total Salaries and Wages Expenses - City of Prineville (Oregon)	1/	2016	\$296,181
2. Employees - City of Prineville (Oregon)	1/	2016	3
3. Labor Expenses Per Employee - City of Prineville (Oregon)	L.1 ÷ L.2	2016	\$98,727
4. AAR Wage Rates & Supplemental Index - 2016 - West	2/	2016	530
5. AAR Wage Rates & Supplemental Index - 1Q 2018 - West	2/	1Q2018	560.7
6. Estimated Wage Rate in the West - 1Q2018	L.3 x (L.5 ÷ L.4)	1Q2018	\$104,446
<b><u>B. Other Operating Expenses</u></b>			
7. Total Materials and Supplies Expenses - City of Prineville (Oregon)	1/	2016	\$330,478
8. Miles - City of Prineville (Oregon)	1/	2016	22.92
9. Materials & Supplies Expenses Per Mile - City of Prineville (Oregon)	L.7 ÷ L.8	2016	\$14,419
10. AAR Materials & Supplies Index - 2016 - West	2/	2016	355.7
11. AAR Materials & Supplies Index - 1Q 2018 - West	2/	1Q2018	370.2
12. Estimated Materials & Supplies Expenses in the West - 1Q2018	L.9 x (L.11 ÷ L.10)	1Q2018	\$15,007
<b><u>C. Maintenance of Way</u></b>			
13. Total Maintenance of Way & Structures Expenses - Public Belt RR (Louisiana)	3/	2014	\$4,677,560
14. Miles - Public Belt RR (Louisiana)	3/	2014	180
15. Maintenance of Way & Structures Expenses Per Mile - Public Belt RR (Louisiana)	L.13 ÷ L.14	2014	\$25,986
16. AAR Materials prices, wage rates and supplements combined (incl. fuel) - QMPW Index - 2014 - East	2/	2014	594.2
17. AAR Materials prices, wage rates and supplements combined (incl. fuel) - QMPW Index - 2014 - West	2/	2014	656.2
18. AAR Materials prices, wage rates and supplements combined (incl. fuel) - QMPW Index - 1Q 2018 - West	2/	1Q2018	600.8
19. Estimated Maintenance of Way & Structures Expenses in the West - 2014	L.15 x (L.17 ÷ L.16)	2014	\$28,698
20. Estimated Maintenance of Way & Structures Expenses in the West - 1Q2018	L.19 x (L.18 ÷ L.17)	1Q2018	\$26,275
20. Total Maintenance Expenses - Port of Pend Oreille (Washington)	4/	2015	\$335,490
21. Miles - Port of Pend Oreille (Washington)	4/	2015	85
22. Maintenance Expenses Per Mile - Port of Pend Oreille (Washington)	L.20 ÷ L.21	2015	\$3,947
23. AAR Materials prices, wage rates and supplements combined (incl. fuel) - QMPW Index - 2015 - West	2/	2015	550.8
24. AAR Materials prices, wage rates and supplements combined (incl. fuel) - QMPW Index - 1Q 2018 - West	2/	1Q2018	600.8
25. Estimated Maintenance Expenses in the West - 1Q2018	L.22 x (L.24 ÷ L.23)	1Q2018	\$4,305
26. Average Estimated Maintenance Expenses in the West - 1Q2018	Average L.20 and L.25	1Q2018	\$15,290
<b><u>D. General and Administrative</u></b>			
27. General & Administration 2015 - Consumers Decision	5/	2015	\$7,191,997
28. Ad Valorem Tax 2015 - Consumers Decision	5/	2015	\$2,991,422
29. Insurance 2015 - Consumers Decision	5/	2015	\$2,263,857
30. Total Annual Costs 2015 - Consumers Decision	5/	2015	\$62,639,882
31. G&A as a Percent of Total Less Taxes and Insurance - Consumers Decision	L.27 ÷ (L.30- L.27- L.28- L.29)	2015	12.5%

<u>Item</u> (1)	<u>Source</u> (2)	<u>Item</u> (3)	<u>Value</u> (4)
<b><u>F. Ad Valorem Tax</u></b>			
32. Main Line Track Miles - Consumers Decision	6/	2015	168.65
33. Ad Valorem Tax 2015 - Consumers Decision	5/	2015	\$2,991,422
34. 2015 Ad Valorem Tax Per Track Mile - Consumers Decision	L.33 ÷ L.32	2015	\$17,737
35. AAR Taxes, purchased services and other expenses Index - 2015 - East	2/	2015	372.9
36. AAR Taxes, purchased services and other expenses Index - 2015 - West	2/	2015	392.9
37. AAR Taxes, purchased services and other expenses Index- 2017 - West	2/	2017	406
38. Estimated Ad Valorem Tax Per Track Mile in the West - 2015	L.34 x (L.36 ÷ L.35)	2015	\$18,689
39. Estimated Ad Valorem Tax Per Track Mile in the West - 2017	L.38 x (L.37 ÷ L.36)	2017	\$19,312

1/ Calculated from City of Prineville, Oregon financial statements as of and for the year ended June 30, 2016.

2/ Association of American Railroad "AAR Railroad Cost Indexes" from March 2018.

3/ Calculated from Public Belt Railroad Commission for the City of New Orleans financial statements as of and for the year ended December 31, 2014.

4/ Calculated from Port of Pend Oreille financial statements audit report as of and for the year ended December 31, 2015.

5/ NOR 42142 Consumers Energy v. CSXT STB Decision dated January 11, 2018 Table B-1 Page 94.

6/ NOR 42142 Consumers Energy v. CSXT STB Decision dated January 11, 2018 Table 2 Page 64.

**RRRR Net Liquidation Value Summary**

<u>Item</u> (1)	<u>Source</u> (2)	<u>Statistic</u> (3)
1. Relay Rail Gross Salvage Value ("GSV")	Attachment No. 9, Column (8), L.25	\$1,070,889
2. Relay Other Track Material ("OTM") GSV	Attachment No. 11, Column (3), L.68	\$483,346
3. Relay Turnouts GSV	Attachment No. 12, Column (8), L.3	<u>\$99,000</u>
4. Total Relay GSV	L.1 + L.2 + L.3	\$1,653,235
5. Reroll and Scrap Rail GSV	Attachment No. 9, Column (8), L.32	\$67,974
6. Scrap OTM GSV	Attachment No. 11, Column (3), L.69	\$47,714
7. Scrap Turnouts GSV	Attachment No. 12, Column (8), L.4	<u>\$1,429</u>
8. Total Reroll and Scrap GSV	L.5 + L.6 + L.7	\$117,117
9. Total Rail GSV	L.1 + L.5	\$1,138,863
10. Total OTM GSV	L.2 + L.6	\$531,060
11. Total Turnouts GSV	L.3 + L.7	<u>\$100,429</u>
12. Total Relay, Reroll and Scrap GSV	L.9 + L.10 + L.11	\$1,770,352
13. Ties Net Salvage Value	Attachment No. 10, Column (3), L.28	\$0
<b>14. Total Gross Salvage Value</b>	<b>L.12 + L.13</b>	<b>\$1,770,352</b>
15. Rail/Turnout Removal and Restoration Costs	Attachment No. 13, Column (3), L.21	\$295,420
16. Relay Marketing and Disposition Costs	L.4 x 15% 1/	\$247,985
17. Scrap Marketing and Disposition Costs	L.8 x 5% 1/	<u>\$5,856</u>
18. Total Marketing and Disposition Costs	L.16 + L.17	\$253,841
19. Transportation Costs	Attachment No. 14, Column (4), L.12	\$200,820
<b>20. Total Liquidation Cost</b>	<b>L.15 + L.18 + L.19</b>	<b>\$750,081</b>
<b>21. Total Net Liquidation Value of Track Assets</b>	<b>L.14 - L.20</b>	<b>\$1,020,271</b>
<b>22. Total Equipment Value</b>	<b>Attachment No. 15, Column (4), L.12</b>	<b>\$3,436,000</b>
<b>23. Total Value of Land</b>	<b>Attachment No. 16, Column (5), L.3</b>	<b>\$73,195</b>
<b>24. Total Net Liquidation Value</b>	<b>L.21 + L.22</b>	<b>\$4,529,466</b>

---

1/ Marketing percentages are based on LEPA estimates.

**RRRR Assets Gross Salvage Value ("GSV")**

<u>Item</u> (1)	<u>Source</u> (2)	<u>112 CWR &amp; Jointed</u> (3)	<u>115 Jointed</u> (4)	<u>131 CWR</u> (5)	<u>132 CWR &amp; Jointed</u> (6)	<u>136 CWR</u> (7)	<u>Total 11/ (8)</u>
1. Total Main Track Miles	1/	0.99	4.15	1.48	0.70	5.38	12.70
2. Total Sidings Miles	2/	0.33	1.38	0.49	0.23	1.79	<u>4.22</u>
<b>3. Total Rail Miles</b>	<b>L.1 + L.2</b>	<b>1.32</b>	<b>5.53</b>	<b>1.97</b>	<b>0.93</b>	<b>7.17</b>	<b>16.92</b>
4. Relay Fit Miles	3/	1.24	5.20	1.85	0.87	6.74	15.90
5. Reroll Miles	4/	0.03	0.14	0.05	0.02	0.18	0.42
6. Scrap Miles	4/	0.04	0.20	0.07	0.03	0.25	<u>0.59</u>
<b>7. Total Reroll and Scrap Miles</b>	<b>L.5 + L.6</b>	<b>0.07</b>	<b>0.34</b>	<b>0.12</b>	<b>0.05</b>	<b>0.43</b>	<b>1.01</b>
8. Total Rail Miles	L.4 + L.7	1.31	5.54	1.97	0.92	7.17	16.91
9. Pounds per Yard	5/	112.00	115.00	131.00	132.00	136.00	-----
10. Rails Per Yard	6/	2.00	2.00	2.00	2.00	2.00	-----
11. Yards Per Mile	5,280 ft. per mile ÷ 3 ft. per yard	1,760	1,760	1,760	1,760	1,760	-----
12. Pounds per Mile	L.9 x L.10 x L.11	394,240	404,800	461,120	464,640	478,720	-----
13. Tons Per Mile	L.12 ÷ 2,000 lbs.	197.12	202.40	230.56	232.32	239.36	-----
14. Relay Fit Tons	L.4 x L.13	244.43	1,052.48	426.54	202.12	1,613.29	3,538.86
15. Percent of Total Tons	L.14 ÷ L.20	6.49%	27.96%	11.33%	5.37%	42.86%	94.03%
16. Reroll Tons	L.5 x L.13	5.91	28.34	11.53	4.65	43.08	93.51
17. Scrap Tons	L.6 x L.13	<u>7.88</u>	<u>40.48</u>	<u>16.14</u>	<u>6.97</u>	<u>59.84</u>	<u>131.31</u>
<b>18. Total Reroll and Scrap Tons</b>	<b>L.16 + L.17</b>	<b>13.79</b>	<b>68.82</b>	<b>27.67</b>	<b>11.62</b>	<b>102.92</b>	<b>224.82</b>
19. Percent of Total Tons	L.18 ÷ L.20	0.37%	1.83%	0.74%	0.31%	2.73%	5.97%
20. Total Tons By Rail Type	L.14 + L.18	258.22	1,121.30	454.21	213.74	1,716.21	3,763.68
21. Percent of Total Tons	L.15 + L.19	6.86%	29.79%	12.07%	5.68%	45.60%	100.00%
22. Reusable Percentage	7/	97.00%	97.00%	97.00%	97.00%	97.00%	97.00%
23. Relay Fit Reusable Tons	L.14 x L.22	237.10	1,020.91	413.74	196.06	1,564.89	3,432.70
24. Relay Fit Unit Price Per Ton	8/	<u>\$140.00</u>	<u>\$420.00</u>	<u>\$280.00</u>	<u>\$280.00</u>	<u>\$280.00</u>	-----
<b>25. Relay Fit GSV</b>	<b>L.23 x L.24</b>	<b>\$33,194</b>	<b>\$428,782</b>	<b>\$115,847</b>	<b>\$54,897</b>	<b>\$438,169</b>	<b>\$1,070,889</b>
26. Reroll Reusable Tons	L.16 x L.22	5.73	27.49	11.18	4.51	41.79	90.70
27. Reroll Price Per Ton	9/	348.21	348.21	348.21	348.21	348.21	-----
<b>28. Reroll GSV</b>	<b>L.26 x L.27</b>	<b>\$1,995</b>	<b>\$9,572</b>	<b>\$3,893</b>	<b>\$1,570</b>	<b>\$14,552</b>	<b>\$31,583</b>
29. Scrap Reusable Tons	L.9 x L.22	7.64	39.27	15.66	6.76	58.04	127.37
30. Scrap Price Per Ton	10/	285.71	285.71	285.71	285.71	285.71	-----
<b>31. Scrap GSV</b>	<b>L.29 x L.30</b>	<b>\$2,183</b>	<b>\$11,220</b>	<b>\$4,474</b>	<b>\$1,931</b>	<b>\$16,583</b>	<b>\$36,391</b>
<b>32. Total Reroll and Scrap GSV</b>	<b>L.28 + L.31</b>	<b>\$4,178</b>	<b>\$20,792</b>	<b>\$8,367</b>	<b>\$3,502</b>	<b>\$31,134</b>	<b>\$67,974</b>
33. Total Reusable Tons	L.23 + L.26 + L.29	250.47	1,087.67	440.58	207.33	1,664.72	3,650.77
<b>33. Total Rail GSV</b>	<b>L.25 + L.32</b>	<b>\$37,372</b>	<b>\$449,574</b>	<b>\$124,214</b>	<b>\$58,399</b>	<b>\$469,304</b>	<b>\$1,138,863</b>

- 1/ STB Docket No. 32760, Volume 5, Page 331 identifies the type of rail and length of rail for the main line 109.0 mile Malta, CO to Cañon City, CO segment. This rail type distribution has been applied to the RRRR segment on a per mile distribution in order to estimate the type of rail that makes up this segment.
- 2/ STB Docket No. 32760, Volume 5, Page 331 identifies the type of rail and length of rail for the main line 109.0 mile Malta, CO to Cañon City, CO segment. Given that the siding rail types were not identified, the Malta, CO to Cañon City, CO main line rail type distribution has been applied to the sidings in order to breakdown the sidings total miles and identify rail types.
- 3/ It is being assumed that 94% of the active segments (Parkdale, CO to Cañon City, CO) are relay rail due to the fact they are currently operational.
- 4/ Without a physical inspection of the line, it is not possible to determine the exact quality of the rail line. It is being assumed that 2% of the active segments (Parkdale, CO to Cañon City, CO) are re-roll rail and that 4% of the active segments are scrap rail.
- 5/ Rail is identified by its weight per yard of length. Thus 112# rail weighs 112 pounds per yard, etc.
- 6/ Each segment of track has 2 rails.
- 7/ STB Docket No. FD 36005 filed March 18, 2016, KCVN/CPRR Feeder Line Application for Towner Line, Volume I. Both KCVN/CPRR and V&S Railway assumed that 97 percent of fit, reroll, and scrap rail would be recovered. This approach has been followed for the RRRR.
- 8/ Average of quotes from Harmer Steel received January 2, 2018.
- 9/ American Metal Market Daily, price quote effective May 7, 2018 for rerolling rails in Chicago, of \$390 per gross ton converted to price per net ton (\$390 x [2,000 lbs. per net ton ÷ 2,240 lbs. per gross ton])
- 10/ American Metal Market Daily, price quote effective May 7, 2018 for scrap No. 1 Heavy Melt in Chicago, of \$320 per gross ton converted to price per net ton (\$320 x [2,000 lbs. per net ton ÷ 2,240 lbs. per gross ton])
- 11/ Sum of Column (4) to Column (8).

**RRRR Gross Salvage Value ("GSV") For Ties**

<u>Item</u>	<u>Source</u>	<u>Amount</u>
(1)	(2)	(3)
1. Total Miles	Attachment No. 9, Column (8), L.3	16.92
2. Ties Per Mile	1/	<u>3,249</u>
3. Total Ties	L.1 x L.2	54,977
4. Relay Ties Per Mile	L.6 ÷ L.1	65
5. Relay Percentage	2/	2.0%
6. Total Relay Ties	L.3 x L.5	1,099
7. Unit Price Per Relay Tie	3/	<u>\$14.50</u>
8. Total Relay Ties GSV	L.6 x L.7	\$15,936
9. Landscape #1 Ties Per Mile	L.11 ÷ L.1	1007
10. Landscape #1 Ties Percentage	2/	31.0%
11. Total Landscape #1 Ties	L.3 x L.10	17,043
12. Unit Price Per Landscape #1 Tie	3/	<u>\$2.50</u>
13. Total Landscape #1 Ties GSV	L.11 x L.12	\$42,608
14. Landscape #2 Ties Per Mile	L.16 ÷ L.1	1007
15. Landscape #2 Ties Percentage	2/	31.0%
16. Total Landscape #2 Ties	L.3 x L.15	17,043
17. Unit Price Per Landscape #2 Tie	3/	<u>\$2.50</u>
18. Total Landscape #2 GSV	L.16 x L.17	\$42,608
19. Scrap Ties Per Mile	L.21 ÷ L.1	1,170
20. Scrap Percentage	2/	36.0%
21. Total Scrap Ties	L.3 x L.20	19,792
22. Unit Price Per Scrap Tie	3/	<u>(\$11.00)</u>
23. Total Scrap Ties GSV	L.21 x L.22	(\$217,712)
<b>24. Total Ties GSV</b>	<b>L.8 + L.13 + L.18 + L.23</b>	<b>(\$116,560)</b>
25. Estimated Tie Removal Cost Per Tie	4/	\$3.00
26. Estimated Tie Removal Cost	L.3 x L.25	\$164,931
<b>27. Total Ties NLV</b>	<b>L.24 - L.26</b>	<b>(\$281,491)</b>
<b>28. STB NLV For Ties 5/</b>	<b>L.27 or Zero</b>	<b>\$0</b>

1/ Crossties are typically laid every 19.5 inches, which equates to approximately 3,249 crossties per mile [(5,280 ft/mile x 12 in/ft) ÷ 19.5 in].

2/ Based on track miles, 100.0%, or 16.92 miles, of the RRRR is currently being operated. Of this currently operated segment, it has been assumed that 2.0% of the ties would be classified as relay, 31.0% would be classified as landscape #1, 31.0% would be classified as landscape #2, and 36.0% would be classified as scrap.

3/ Average of quotes from Harmer Steel and Progress Rail received January 2, 2018.

4/ Quote received from United Railroad Services Co on December 27, 2016.

5/ Based on STB proceedings, should the total ties NLV be less than zero it is assumed that the railroad would not go through the process of removing and disposing of the ties and the NLV is assumed to be zero.

**RRRR Gross Salvage Value ("GSV")  
For Other Track Materials ("OTM")**

<u>Item</u> (1)	<u>Source</u> (2)	<u>Amount</u> (3)
<b><u>A. Tie Plates</u></b>		
1. Relay Tie Plates Miles	1/	15.90
2. Relay Tie Plates Per Mile	2/	<u>6,498</u>
3. Total Relay Tie Plates	L.1 x L.2	103,326
4. Reusable Percentage	3/	97%
5. Total Reusable Relay Tie Plates	L.3 x L.4	100,226
6. Unit Price Per Relay Tie Plate	4/	<u>\$3.93</u>
<b>7. Total Relay Tie Plates GSV</b>	<b>L.5 x L.6</b>	<b>\$393,387</b>
8. Scrap Tie Plates Miles	5/	1.01
9. Scrap Tie Tons Per Mile	6/	<u>84.48</u>
10. Total Scrap Tie Plates Tons	L.8 x L.9	85
11. Reusable Percentage	7/	95%
12. Total Reusable Scrap Tie Plates Tons	L.10 x L.11	81
13. Unit Price Per Scrap Ton	8/	<u>\$285.71</u>
<b>14. Total Scrap Tie Plates GSV</b>	<b>L.12 x L.13</b>	<b>\$23,143</b>
<b>15. Total Tie Plates GSV</b>	<b>L.7 + L.14</b>	<b>\$416,530</b>
<b><u>B. Joint Bars</u></b>		
16. Relay Joint Bars Miles	9/	7.31
17. Relay Joint Bars Per Mile	10/	<u>270.8</u>
18. Total Relay Joint Bars	L.16 x L.17	1,979
19. Reusable Percentage	11/	97%
20. Total Reusable Relay Joint Bars	L.18 x L.19	1,920
21. Unit Price Per Relay Joint Bar	4/	<u>\$27.50</u>
<b>22. Total Relay Joint Bars GSV</b>	<b>L.20 x L.21</b>	<b>\$52,800</b>
23. Scrap Joint Bars Miles	12/	0.46
24. Scrap Joint Bars Tons Per Mile	13/	<u>12.99</u>
25. Total Scrap Joint Bars Tons	L.23 x L.24	6
26. Reusable Percentage	14/	95%
27. Total Reusable Scrap Joint Bars Tons	L.25 x L.26	6
28. Unit Price Per Scrap Ton	8/	<u>\$285.71</u>
<b>29. Total Scrap Joint Bars GSV</b>	<b>L.27 x L.28</b>	<b>\$1,714</b>
<b>30. Total Joint Bars GSV</b>	<b>L.22 + L.29</b>	<b>\$54,514</b>
<b><u>C. Relay Anchors</u></b>		
31. Relay Rail Anchors Welded Miles	15/	10.70
32. Relay Rail Anchors Welded Per Mile	16/	<u>6,498</u>
33. Total Relay Rail Anchors Welded	L.31 x L.32	69,529
34. Reusable Percentage	17/	80%
35. Total Reusable Relay Rail Anchors Welded	L.33 x L.34	55,623
36. Unit Price Per Relay Anchor	4/	<u>\$0.52</u>
<b>37. Total Relay Rail Anchors Welded GSV</b>	<b>L.35 x L.36</b>	<b>\$28,924</b>

**RRRR Gross Salvage Value ("GSV")  
For Other Track Materials ("OTM")**

<u>Item</u> (1)	<u>Source</u> (2)	<u>Amount</u> (3)
38. Relay Rail Anchors Jointed Miles	9/	7.31
39. Relay Rail Anchors Jointed Per Mile	18/	<u>2,708</u>
40. Total Relay Rail Anchors Jointed	L.38 x L.39	19,795
41. Reusable Percentage	17/	80%
42. Total Reusable Relay Rail Anchors Jointed	L.40 x L.41	15,836
43. Unit Price Per Relay Anchor	4/	<u>\$0.52</u>
<b>44. Total Relay Rail Anchors Jointed GSV</b>	<b>L.42 x L.43</b>	<b>\$8,235</b>
<b>45. Total Relay Rail Anchors GSV</b>	<b>L.37 + L.44</b>	<b>\$37,159</b>
46. Scrap Rail Anchor Miles	5/	1.01
47. Scrap Tons of Anchors Per Mile	19/	<u>4.22</u>
48. Total Scrap Rail Anchors Tons	L.46 x L.47	4
49. Reusable Percentage	20/	80%
50. Total Reusable Rail Anchor Tons	L.48 x L.49	3
51. Unit Price Per Scrap Ton	8/	<u>\$285.71</u>
<b>52. Total Scrap Rail Anchors Welded GSV</b>	<b>L.50 x L.51</b>	<b>\$857</b>
<b>53. Total Rail Anchors GSV</b>	<b>L.37 + L.45</b>	<b>\$38,016</b>
<b><u>D. Spikes</u></b>		
54. Scrap Spike Miles	21/	16.92
55. Scrap Spike Tons Per Mile	22/	<u>4.36</u>
56. Total Scrap Spike Tons	L.54 x L.55	74
57. Reusable Percentage	23/	80%
58. Total Reusable Scrap Spikes Tons	L.56 x L.57	59
59. Unit Price Per Scrap Ton	8/	<u>\$285.71</u>
<b>60. Total Scrap Spikes GSV</b>	<b>L.58 x L.59</b>	<b>\$16,857</b>
<b><u>E. Bolts &amp; Washers</u></b>		
61. Scrap Bolts & Washers Miles	21/	16.92
62. Scrap Bolts & Washers Tons Per Mile	24/	<u>1.38</u>
63. Total Scrap Bolt & Washers Tons	L.61 x L.62	23
64. Reusable Percentage	25/	80%
65. Total Reusable Scrap Bolts & Washers Tons	L.63 x L.64	18
66. Unit Price Per Scrap Ton	8/	<u>\$285.71</u>
<b>67. Total Scrap Bolts &amp; Washers GSV</b>	<b>L.65 x L.66</b>	<b>\$5,143</b>
<b><u>F. Total</u></b>		
68. Total Relay OTM GSV	L.7 + L.22 + L.45	\$483,346
69. Total Scrap OTM GSV	L.14 + L.29 + L.52 + L.60 + L.67	<u>\$47,714</u>
<b>70. Total OTM GSV</b>	<b>L.68 + L.69</b>	<b>\$531,060</b>

**RRRR Gross Salvage Value ("GSV")  
For Other Track Materials ("OTM")**

- 
- 1/ Attachment No. 9, Column (8), L.4
  - 2/ There are two tie plates per crosstie. According to the Railway Tie Association, crossties are typically laid every 19.5 inches.  $(5,280 \text{ ft. per mile} \times 12 \text{ in. per ft.}) \div 19.5 \text{ in. between ties equals } 3,249 \text{ crossties per mile}$  and 2 crosstie plates per crosstie equals 6,498 tie plates per mile.
  - 3/ STB Docket No. FD 36005 filed March 18, 2016, KCVN/CPRR Feeder Line Application for Towner Line, Volume I. Both KCVN/CPRR and V&S Railway assumed that 97 percent of Relay tie plates would be recovered. This approach has been followed for the RRRR.
  - 4/ Average of quotes from Harmer Steel and Progress Rail received January 2, 2018.
  - 5/ Attachment No. 9, Column (8), L.7
  - 6/ Calculated based on a weighted average tie plate weight of 26.0 lbs. per tie plate and 6,498 tie plates per mile.  $[6,498 \text{ tie plates per mile} \times 26.0 \text{ lbs. per tie plate}] \div 2000.0 \text{ lbs. per ton equals } 84.48 \text{ tons per mile}$ .
  - 7/ STB Docket No. FD 36005 filed March 18, 2016, KCVN/CPRR Feeder Line Application for Towner Line, Volume I. Both KCVN/CPRR and V&S Railway assumed that 95 percent of scrap tie plates would be recovered. This approach has been followed for the RRRR.
  - 8/ American Metal Market Daily, price quote effective May 7, 2018 for scrap No. 1 Heavy Melt in Chicago, of \$320 per gross ton converted to price per net ton  $(\$320 \times [2,000 \text{ lbs. per net ton} \div 2,240 \text{ lbs. per gross ton}]$
  - 9/ Attachment No. 9, Column (3), L.4 + Attachment No. 9, Column (4), L.4 + Attachment No. 9, Column (6), L.4
  - 10/ One joint bar is necessary for side of rail per joint, joints are necessary to connect the rail section every 39 feet.  $[5,280 \text{ ft. per mile} \div 39.0 \text{ ft. per rail section}] \times 2.0 \text{ rails per section equals } 270.8$ .
  - 11/ STB Docket No. FD 36005 filed March 18, 2016, KCVN/CPRR Feeder Line Application for Towner Line, Volume I. Both KCVN/CPRR and V&S Railway assumed that 97 percent of Relay joint bars would be recovered. This approach has been followed for the RRRR.
  - 12/ Attachment No. 9, Column (3), L.7 + Attachment No. 9, Column (4), L.7 + Attachment No. 9, Column (6), L.7
  - 13/ Calculated based on joint bar weight of 93.84 lbs. per joint bar pair for 112 and 115 lb. rail and a joint bar weight of 113.06 lbs. per joint bar pair for 132 lb. rail. For a weighted average of 12.99 lbs. per joint bar pair.
  - 14/ STB Docket No. FD 36005 filed March 18, 2016, KCVN/CPRR Feeder Line Application for Towner Line, Volume I. Both KCVN/CPRR and V&S Railway assumed that 95 percent of scrap joint bars would be recovered. This approach has been followed for the RRRR.
  - 15/ Attachment No. 9, Column (3), L.4 + Attachment No. 9, Column (5), L.4 + Attachment No. 9, Column (6), L.4 + Attachment No. 9, Column (7), L.4
  - 16/ Calculated based on the assumption that CWR will need 24 anchors per 39 foot section of rail.
  - 17/ STB Docket No. FD 36005 filed March 18, 2016, KCVN/CPRR Feeder Line Application for Towner Line, Volume I. Both KCVN/CPRR and V&S Railway assumed that 80 percent of relay rail anchors would be recovered. This approach has been followed for the RRRR.
  - 18/ Calculated based on the assumption that CWR will need 10 anchors per 39 foot section of rail.
  - 19/ Calculated based on anchor weight of 1.95 lbs. per anchor and an assumed 16 anchors per 39 foot section of rail.
  - 20/ STB Docket No. FD 36005 filed March 18, 2016, KCVN/CPRR Feeder Line Application for Towner Line, Volume I. Both KCVN/CPRR and V&S Railway assumed that 80 percent of scrap rail anchors would be recovered. This approach has been followed for the RRRR.
  - 21/ Attachment No. 9, Column (8), L.3
  - 22/ Calculated based on a spike keg for 5/8 x 6 inch spikes with a keg weight of 200 lbs. and an assumed 43.64 spike kegs per mile of rail.
  - 23/ STB Docket No. FD 36005 filed March 18, 2016, KCVN/CPRR Feeder Line Application for Towner Line, Volume I. Both KCVN/CPRR and V&S Railway assumed that 80 percent of scrap spike tons would be recovered. This approach has been followed for the RRRR.
  - 24/ Calculated based on a bolt keg for 1 x 5 1/4 inch bolts with a keg weight of 200 lbs. and an assumed 13.8 bolt kegs per mile of rail.
  - 25/ STB Docket No. FD 36005 filed March 18, 2016, KCVN/CPRR Feeder Line Application for Towner Line, Volume I. Both KCVN/CPRR and V&S Railway assumed that 80 percent of scrap bolt and washer tons would be recovered. This approach has been followed for the RRRR.

**RRRR Turnout Gross Salvage Value ("GSV")**

<b><u>Description</u></b> (1)	<b><u>Quantity 1/</u></b> (2)	<b><u>Tons Per Unit 2/</u></b> (3)	<b><u>Total Tons 3/</u></b> (4)	<b><u>Percent Usable 4/</u></b> (5)	<b><u>Usable Tons 5/</u></b> (6)	<b><u>Unit Price</u></b> (7)	<b><u>Total</u></b> (8)
<b><u>A. Relay Turnouts</u></b>							
1. 136 lb. No. 10	14	xxx	xxx	xxx	xxx	\$4,000 6/	\$56,000 7/
2. 112/115 lb. No. 10	<u>10</u>	xxx	xxx	xxx	xxx	<u>\$4,300</u> 6/	<u>\$43,000</u> 7/
3. Total Relay 8/	24	xxx	xxx	xxx	xxx	\$8,300	\$99,000
<b><u>B. Scrap Turnouts</u></b>							
4. Various	1	5	5	97%	5	\$285.71 9/	<u>\$1,429</u> 10/
<b>5. Total GSV 11/</b>	<b>25</b>						<b>\$100,429</b>

---

1/ LEPA Google Earth Pro Analysis.  
2/ STB Docket No. FD 36005 filed March 18, 2016, KCVN/CPRR Feeder Line Application for Towner Line, Volume I. Both KCVN/CPRR and V&S Railway assumed that scrap turnouts would weigh 5 tons per turnout. This approach has been followed for the RRRR.  
3/ Column (2) x Column (3).  
4/ STB Docket No. FD 36005 filed March 18, 2016, KCVN/CPRR Feeder Line Application for Towner Line, Volume I. Both KCVN/CPRR and V&S Railway assumed that 97 percent of scrap turnout tons would be recovered. This approach has been followed for the RRRR.  
5/ Column (4) x Column (5).  
6/ Quote received from Harmer Steel on January 2, 2018.  
7/ Column (2) x Column (7).  
8/ L.1 + L.2.  
9/ American Metal Market Daily, price quote effective May 7, 2018 for scrap No. 1 Heavy Melt in Chicago, of \$320 per gross ton converted to price per net ton (\$320 x [2,000 lbs. per net ton ÷ 2,240 lbs. per gross ton])  
10/ Column (6) x Column (7).  
11/ L.3 + L.4.

**RRRR Removal and Restoration Costs**

<b><u>Item</u></b> (1)	<b><u>Source</u></b> (2)	<b><u>Amount</u></b> (3)
1. Fit Rail and OTM Miles	Attachment No. 9, Column (8), L.4	15.90
2. Fit Rail and OTM Removal Cost Per Mile	1/	<u>\$16,000</u>
3. Fit Rail and OTM Removal Costs	L.1 x L.2	\$254,400
4. Scrap Rail and OTM Miles	Attachment No. 9, Column (8), L.7	1.01
5. Scrap Rail and OTM Removal Cost Per Mile	1/	<u>\$12,000</u>
6. Scrap Rail and OTM Removal Costs	L.4 x L.5	\$12,120
7. Fit Turnouts	Attachment No. 12, Column (2), L.3	24
8. Fit Turnout Removal Costs Per Turnout	1/	<u>\$800</u>
9. Fit Turnout Removal Costs	L.7 x L.8	\$19,200
10. Scrap Turnouts	Attachment No. 12, Column (2), L.4	1
11. Scrap Turnout Removal Costs Per Turnout	1/	<u>\$500</u>
12. Scrap Turnout Removal Costs	L.10 x L.11	\$500
<b>13. Total Track Removal Costs</b>	<b>L.3 + L.9 + L.12</b>	<b>\$286,220</b>
14. Public Highway Crossings	LEPA Google Earth Estimate	4
15. Public Highway Restoration Costs Per Crossing	1/	<u>\$2,000</u>
16. Total Public Highway Crossings Costs	L.14 x L.15	\$8,000
17. Private Highway Crossings	LEPA Google Earth Estimate	4
18. Private Highway Restoration Costs Per Crossing	1/	<u>\$300</u>
19. Total Private Highway Crossings Costs	L.17 x L.18	\$1,200
<b>20. Total Crossing Restoration</b>	<b>L.16 + L.19</b>	<b><u>\$9,200</u></b>
<b>21. Total Removal and Restoration Costs</b>	<b>L.13 + L.20</b>	<b>\$295,420</b>

<sup>1/</sup> STB Docket No. FD 36005 filed March 18, 2016, KCVN/CPRR Feeder Line Application for Towner Line, Volume I. Both KCVN/CPRR and V&S Railway used the unit cost shown in Column (3). This approach has been followed for the RRRR.

**RRRR Asset Transportation Costs**

<b><u>Item</u></b> (1)	<b><u>Source</u></b> (2)	<b><u>Tons</u></b> (3)	<b><u>Number of Railcars 1/</u></b> (4)
1. Relay Rail	Attachment No. 9, Column (8), L.23	3,433	35
2. Reroll Rail	Attachment No. 9, Column (8), L.26	91	1
3. Scrap Rail	Attachment No. 9, Column (8), L.29	127	2
4. Scrap Tie Plates	Attachment No. 11, Column (3), L.12	81	1
5. Scrap Joint Bars	Attachment No. 11, Column (3), L.27	6	1
6. Scrap Anchors	Attachment No. 11, Column (3), L.50	3	1
7. Scrap Spikes	Attachment No. 11, Column (3), L.58	59	1
8. Scrap Bolt and Washers	Attachment No. 11, Column (3), L.65	18	1
9. Scrap Turnouts	Attachment No. 12, Column (6), L.4	<u>5</u>	<u>1</u>
10. Total Number of Railcars	Sum of L.1 to L.9	3,823	44
11. Cost Per Railcar	2/		<u>\$4,564</u>
12. Transportation Costs	L.10 x L.11		\$200,820

1/ Column (3) ÷ 100 tons per railcar.

2/ Based on Union Pacific public tariffs, the cost to ship railway material from Parkdale, CO to Chicago, IL is equal to \$5,157 per car and the cost to ship scrap steel from Parkdale, CO to Chicago, IL is equal to \$1,896 per car. A weighted average unit cost was developed using the number of railcars shown above.

**RRRR Equipment Values**

<b><u>Item</u></b> (1)	<b><u>Quantity</u></b> (2)	<b><u>Estimated Market Value 1/</u></b> (3)	<b><u>Total Value 2/</u></b> (4)
<b><u>Locomotives</u></b>			
1. GP40 - 2	1	\$275,000	\$275,000
2. GP40	2	\$275,000	\$550,000
3. 40 WDT	<u>1</u>	<u>\$35,000</u>	<u>\$35,000</u>
4. Total Locomotives 3/	4	---	\$860,000
<b><u>Railcars</u></b>			
5. Open Hopper	177	\$10,000	\$1,770,000
6. Gondola	71	\$10,000	\$710,000
7. Flat	2	\$5,000	\$10,000
8. Box	3	\$12,000	\$36,000
9. Caboose	1	\$15,000	\$15,000
10. Miscellaneous	<u>7</u>	<u>\$5,000</u>	<u>\$35,000</u>
11. Total Railcars 4/	261	---	\$2,576,000
12. Total Equipment 5/	---	---	\$3,436,000

---

1/ Based on reported sales values of used railroad equipment by Sterling Rail, Inc.

2/ Col. (2) x Col. (3)

3/ Sum of L.1 to L.3

4/ Sum of L.5 to L.10

5/ Sum of L.4 and L.11

**RRRR Estimated Value of Land**

<u>Segment</u> (1)	<u>Track Miles 1/</u> (2)	<u>Non-Reversionary Acres 2/</u> (3)	<u>Estimated Value Per Acre 5/</u> (4)	<u>Total Land Value 6/</u> (5)
1. Parkdale, CO to Cañon City, CO	12.7	28.00	3/ \$2,614.11	\$73,195
2. Cañon City, CO to Pueblo, CO	41.1	0.00	4/ \$2,614.11	\$0
<b>3. Total 7/</b>	<b>53.8</b>	<b>28.0</b>		<b>\$73,195</b>

1/ Track miles have been calculated based on the Union Pacific Denver Area Timetable #4, effective November 16, 2009, page 30.

2/ The Tennessee Pass is comprised of reversionary acres and non-reversionary acres. Reversionary land is that which is not owned by the railroad and thus cannot be sold. In estimating the value of the RRRR land, which is along the Tennessee Pass, it is necessary to only take into account the non-reversionary acres, i.e. land that is owned by the railroad and can be sold.

3/ Based on the STB Docket No. 32760, Volume 5 non-reversionary acres for the Sage, Co to Malta, CO, Malta, CO to Leadville, CO and Malta, CO to Cañon City, CO, we have estimated 2.22 non-reversionary acres per mile for this segment. STB Docket No. 32760, Volume 5, Page 293 states that the Sage, CO to Malta, CO segment consists of 1,336 acres, 105 of which are considered to be non-reversionary, and Malta, CO to Leadville, CO consists of 70 acres, 40 of which are considered to be non-reversionary. STB Docket No. 32760, Volume 5, Page 343 states that the Malta, CO to Cañon City, CO segment consists of 2,487 acres, 253.05 of which are considered to be non-reversionary.

4/ As the Cañon City, CO to Pueblo, CO segment is not owned by the RRRR, no costs are included for this land.

5/ STB Docket No. 32760, Volume 5, Page 343 states that the Malta, CO to Cañon City, CO non-reversionary segment has a NLV of \$378,000. This equates to \$1,493.78/acre. This value was indexed to a 2017 \$/acre of \$2,614.11 using the United States Department of Agriculture's National Agricultural Statistics Service and applied to the RRRR's Parkdale, CO to Cañon City, CO segment.

6/ Column (3) x Column (4).

7/ Sum of L.1 to L.2