ASSOCIATION OF AMERICAN RAILROADS

December 2, 2024

Hon. Robert Primus
Chairman
Surface Transportation Board
395 E Street, SW
Washington, DC 20423

Dear Chairman Primus:

For decades, the Association of American Railroads ("AAR") has worked collaboratively with the Surface Transportation Board ("STB" or "Board") to ensure that the Railroad Cost Adjustment Factor ("RCAF"), an index formulated to represent changes in railroad costs over time, meets the highest standards of accuracy and reliability. Since the 1980s, AAR has calculated three types of RCAF figures and submitted those to the Board for approval.[1] AAR's filings have always prioritized transparency, and our longstanding partnership with Board staff is founded upon a shared commitment to serving the needs of the Board and its stakeholders.

It is in this context that I was surprised to receive your letter dated November 26, 2024, and to learn of your simultaneous press release. Your letter significantly overstates the implications of minor procedural adjustments to RCAF filings. Historically, issues of this nature have been addressed constructively through established channels of communication, rather than escalated publicly in a manner that risks undermining the productive relationship between AAR and the STB. It is unclear whether the concerns you describe are shared by others on the Board.[2] Regardless, they were not shared with AAR prior to your letter. It is unfortunate that you decided to forego information gathering, fact checking, and basic courtesy and cooperation in favor of publicity.

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[1] The RCAF was established in response to the requirement in the Staggers Rail Act of 1980 that a quarterly cost-recovery index be created. *See* STB, Reports & Data, Railroad Cost Adjustment Factor, available at: https://www.stb.gov/reports-data/railroad-cost-recovery-factor/. In *Railroad Cost Recovery Procedures*, 1 I.C.C.2d 207 (1984), the STB's predecessor entity outlined the procedures for calculating the all-inclusive index of railroad input prices and the method for computing the RCAF and required AAR to calculate the index on a quarterly basis.

[2] While your missive is on STB letterhead and makes several references to the Board as a whole ("[t]he STB finds…"; "we are requesting…"; "…the response we receive…"; "…the STB will explore…"; and "…we are now considering…"), the letter is only signed by you, so it is not clear whether you speak on your own behalf or on behalf of the Board as a whole.

Setting the Record Straight

Your characterization of a "troubling trend" in AAR's RCAF filings is simply not borne out by the facts. Over the past decade, AAR has submitted 40 RCAF filings, of which only four required minor adjustments. These adjustments were entirely procedural or textual, reflecting clarifications or evolving inputs, and were promptly identified by AAR and addressed—typically within days. The four adjustments were:

1. Q4 2022 (September): A routine procedural adjustment to the M&S index;
2. Q1 2023 (December): A minor revision to the five-year basing factor, which was purely procedural;
3. Q2 2023 (March): A correction related to forecast error and a clarification of language; and
4. Q4 2024 (September): A revision to the linked index and a textual clarification prompted by inquiries from a fellow stakeholder.

To be very clear, contrary to the implications in your letter, *none of the re-filings* altered any final approvals or Board decisions. In fact, all adjustments were identified *by AAR* and brought to the Board's attention *by AAR* within days of AAR's initial filing, long before the Board issued its decisions approving AAR's filings.[3] As has long been the case, AAR and STB staff work closely together to resolve any issues or concerns before the Board issues its decisions. Indeed, for at least the last decade and perhaps longer than that, the STB has *never* rejected or disapproved any of AAR's RCAF filings. Presumably, the Board's decisions approving AAR's filings are not mere rubber stamps, but rather reflect recognition of the thoroughness and transparency of the process, and the accuracy of the result. But regardless, the most recent agreed-upon procedures review, conducted by an independent accounting firm, found no material exceptions, further affirming the robustness of our processes.[4]

Your public reference to "multiple rounds of resubmissions" misrepresents these routine adjustments to the RCAF index as a sign of unreliability, which is both inaccurate and misleading. These resubmissions addressed minor refinements—standard in the maintenance of any complex economic index—and were made to ensure precision, compliance, and transparency. Indeed, such iterative adjustments are a hallmark of robust economic measures. The U.S. Bureau of Economic Analysis ("BEA"), for instance, routinely revises GDP figures through a well-established process that includes advance, preliminary, and final estimates, followed by annual and benchmark revisions to incorporate new data and methodological

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[3] As the Board staff is aware, Western Coal Traffic League ("WCTL") (a coalition of coal shippers) reviews AAR's RCAF filings and on occasion has proposed changes, almost always textual, that do not alter the calculation of the index. Nonetheless, AAR has passed these proposed modifications on to the STB, per WCTL's request. In the case of the Q4 2024 report, WCTL did not identify its proposed modifications until after the Board had approved AAR's filing.

[4] See attached for a copy of the most recent accountant's report.

improvements. Similarly, widely relied-upon indicators like employment statistics and inflation indices are regularly revised to reflect updated inputs and ensure accuracy.

The "multiple rounds of submissions" you cite are not evidence of flaws but a testament to the transparency and rigor of the RCAF process. These adjustments were conducted in coordination with STB staff, reaffirming the integrity and reliability of the index. To suggest otherwise is to ignore both the norms of statistical practice and the technical realities of managing complex economic measures.

AAR's Commitment to Accuracy and Transparency

AAR has consistently demonstrated its commitment to the highest standards of accuracy and transparency. Our filings undergo a rigorous multi-step process that includes:

1. *Data Collection and Validation*: Standardized protocols ensure consistent, accurate inputs from Class I's and other parties provide consistent and accurate data, with secondary reviews to identify anomalies.
2. *Automated Integration Systems*: API-driven data collection and validation algorithms significantly reduce the potential for manual errors.
3. *Pre-Filing Integrity Checks*: Integrated validation steps in our centralized database environment detect and address anomalies prior to submission.
4. *Independent Audits:* Biennial reviews conducted by third-party auditors have consistently confirmed the robustness of our processes, with no material exceptions identified.

These measures reflect AAR's proactive approach to accuracy, and the record demonstrates their effectiveness. The suggestion that AAR's data is unreliable mischaracterizes both our capabilities and our track record.

Path Forward

Your suggestion to implement annual reviews of RCAF filings is unnecessary, and a disproportionate response to these adjustments. The existing biennial framework, validated over decades, is effective and ensures the integrity of RCAF data. Adding layers of review would impose undue burdens on both AAR and STB staff without delivering meaningful improvements. Instead, AAR is happy to host a workshop or technical session with STB staff (and any Board members who wish to attend), in which we can walk through the filing process, discuss and address any concerns, and share ideas for improvement. This is a more practical and effective way to ensure the Board continues to have confidence in AAR's process.

Conclusion

AAR's RCAF processes are robust, the few adjustments made over the last decade have been immaterial and have never required the Board to withhold or delay its approval, and our commitment to accuracy and transparency remains unwavering. We have always worked

diligently in the spirit of cooperation with STB staff, and we value that relationship. To first learn of any concern, much less "great concern," by way of your public letter and corresponding press release was therefore surprising. Your approach was not constructive, but rather seemed calculated to serve other purposes. We hope it does not reflect a shift by the Board as a body toward a more antagonistic, rather than cooperative, relationship.

Respectfully submitted,

Ian Jefferies
President & CEO
Association of American Railroads

cc: Member Fuchs
Member Hedlund
Member Schultz

Attachment (RSM Independent Accountant's Report, Oct. 22, 2024)

RSM

RSM US LLP

Independent Accountant's Report

Association of American Railroads
Washington, DC

We have performed the procedures enumerated below on the underlying data and calculations for the Association of American Railroads (AAR) Rail Cost Adjustment Factor (RCAF) for the fourth quarter of 2023. The AAR is responsible for the underlying data and calculations for AAR's RCAF for the fourth quarter of 2023.

The AAR has agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose of evaluating the underlying data and calculations for the AAR's RCAF for the fourth quarter of 2023. Additionally, the Surface Transportation Board (STB) has agreed to and acknowledged that the procedures performed are appropriate to meet their purposes. This report may not be suitable for any other purpose. The procedures performed may not address all the items of interest to a user of this report and may not meet the needs of all users of this report and, as such, users are responsible for determining whether the procedures performed are appropriate for their purposes.

The procedures and associated findings are as follows:

General

1. Obtain a copy of the written instructions used by AAR to prepare the Index. Discuss with AAR personnel the procedures used for accumulating data and for calculating the Index including identification of:
   - Major independent sources of data; and
   - Methodology and worksheets used.
2. Obtain copies of all relevant worksheets and supporting documentation.
3. Obtain management representation letter.
4. Obtain and inspect documentation of any deviation requests and/or pre-approvals AAR received from the railroads in relation to the Index.

   Results: No exceptions were noted.

Fuel Index
There are two Fuel indices: the actual and the forecast (or current) index. The actual index is based on gallons purchased and dollars invoiced as provided by the four largest railroads.[1]

1. Vouch gallons purchased, dollars invoiced, and fuel prices used in the confidential AAR Monthly Fuel spreadsheet for April 2023 to the confidential submissions from the railroads. That month is used to represent the actual Fuel Index, which is two quarters prior to the forecast.

[1] The four largest Class I freight railroads are BNSF Railway (headquarters in Ft. Worth, Texas), CSX Transportation (headquarters in Jacksonville, Florida), Norfolk Southern (headquarters in Atlanta, GA), and Union Pacific Railroad (headquarters in Omaha, Nebraska). These four railroads are noted as "the four railroads" elsewhere in this document. There are a total of seven (7) Class I freight railroads. The additional three railroads are Kansas City Southern (U.S. operations of Canadian Pacific), Grand Trunk Corporation (U.S. operations of CN), and Soo Line Corporation (U.S. operations of Canadian Pacific).

RSM US LLP is the U.S. member firm of RSM International, a global network of independent assurance, tax, and consulting firms.
Visit rsmus.com/aboutus for more information regarding RSM US LLP and RSM International.

2. Recalculate actual 2023Q2 Fuel Index and agree to the 2023Q2 Forecast versus Actual All-Inclusive Index calculation in the 2023Q4 RCAF filing.[2]
3. Agree the current quarter fuel worksheet (titled Fuel Price Projection) to the current 2023Q4 Fuel Index found on the All-Inclusive Index page in the current quarter (2023Q4) RCAF filing.[3]

Results: No exceptions were noted.

Materials & Supplies Index

The four largest railroads send an MS-Form and a P-Form to the AAR as input data for the AAR to calculate the Materials & Supplies Index (M&S Index). The MS-Form contains annual purchases data that are used to weigh the various categories of materials and supplies. The quarterly P-Form contains confidential prices for the items used to represent each category in the M&S Index. The M&S Index is calculated using 3 composition category indices. Each of the 3 composition category indices has 3 to 20 component indices. The forecast and actual versions of the M&S Index are normally the same.[4] Items purchased are assumed to be held in inventory for 3 months before they are expensed. Therefore, a fourth quarter summary Materials & Supplies Index found in the "Summary by Composition Category" spreadsheet will be used for the first quarter All-Inclusive Index. The AAR receives a new MS-Form near the end of each March, and that form is first used in the June 5 filing for the Q3 RCAF, which uses a Q2 summary M&S Index.

1. From the combined MS-2022 form prepared by the AAR using individual MS-2022 forms submitted by the railroads, select the highest 10 (of 45) items based on monetary values.[5]
2. For each item selected in step (1) above, vouch the materials and supplies costs reported in the combined MS-2022 form to the material and supplies costs reported in the individual MS-2022 forms submitted by the railroads.
3. For each item selected in step (1) above, vouch the price information reported in the combined P-2023 Q3 form to the individual P-2023 Q3 forms submitted by the railroads.[6]
4. Recalculate the mathematical accuracy of the component index associated with each item of the 10 selected items.
5. Compare current and previous quarterly price information in the AAR M&S spreadsheet and observe that AAR management has explanations as to the cause of fluctuations greater than 10%.
6. Recalculate the 2023Q3 index in the AAR M&S spreadsheet, and agree to the 2023Q4 Materials & Supplies Index on the All-Inclusive Index page in the AAR's RCAF filing to the STB.[7]

Results: No exceptions were noted.

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[2] The Forecast versus Actual All-Inclusive Index calculation uses data for two quarters prior because of data availability. For example: if the STB selects the 2023Q4 RCAF filing (filed around September 5, 2023), the Forecast versus Actual calculation would use the forecast from the 2023Q2 filing compared to the actual for the 2023Q2 calculated from data available in the two weeks before the 2023Q4 filing. In the case of fuel, data for April 2023 would be used to represent the 2023 Q4 actual.

[3] The quarter is the quarter selected by the STB for review. For example: if the STB selects 2023Q4, then the current quarter will be 2023Q4 as represented by October 2023.

[4] The forecast and actual M&S Indices are normally the same. In a few cases where a railroad submitted corrected data (within six months) to the AAR in time for the AAR to recalculate an actual M&S Index with the corrected data, the STB has allowed the AAR to use an actual M&S Index with corrected data in the forecast error calculation, which causes the forecast and actual to not match.

[5] The MS-Form for 2022 is appropriate for RCAF filings for 2023Q3 through 2024Q2.

[6] Because materials purchases are assumed to be held in inventory for 3 months before they are expensed, the prices for prior quarter purchases are used to represent the RCAF's current quarter. For a Q1 RCAF filing, a Q4 P-Form is appropriate. For a Q2 RCAF filing, a Q1 P-Form is appropriate. For Q3 and Q4 filings, Q2 and Q3 P-Forms are appropriate, respectively.

[7] See footnote for item 3. The Materials & Supplies Index summary will always be the quarter prior to the RCAF filing. For example: a Q3 Materials & Supplies Index summary will correspond to the Q4 current Materials & Supplies Index used in the RCAF's All-Inclusive Index.

Labor Index
The Labor Index is calculated by the AAR using benchmarks from annual wage statistics and annual report data updated by labor agreements and changes in health & welfare contributions and payroll tax rates. The forecast and actual versions are normally the same.

1. For the three largest components of the 2023Q4 Labor Index, validate the mathematical accuracy of AAR calculations and vouch the information used in calculations to the supporting documentation. The three largest components, which are listed in Table A-1 of Appendix A in the AAR RCAF filing, are:
   a. Base Wage - Straight Time Compensation and Pay for Time Not Worked;
   b. Health & Welfare Benefits;
   c. Railroad Retirement & Medicare.
2. Compare current and previous quarterly data in Table A-1, and observe that AAR has explanations for all fluctuations greater than 10% (some may be in Appendix A of the AAR's filing to the STB).
3. Recalculate the AAR Labor Index (RCAF All-Inclusive Index's Labor Index) and agree to the Labor Index used in the current RCAF filing on the All-Inclusive Index page and at the bottom of Table A-1 in Appendix A.

   Results: No exceptions were noted.

Equipment Rents Index
The Equipment Rents Index consists of two components: the Car Hire Index and the Lease Rentals Index. The Car Hire Index is based on summaries from the Car Hire Accounting Rate Master (CHARM) file, and the Lease Rentals Index is based on the Producer Price Index for Industrial Commodities Less Fuel and Related Products and Power. The forecast and actual version differ by the timing of when the input data are retrieved, and the forecast uses statistical models to project data.

1. Vouch inputs (average rates and the number of cars of each car type from the CHARM Process – Car Hire Rate Report) for the appropriate month used in the AAR's Car Hire Index spreadsheets for forecast (September 2023) and actual (May 2023).[8]
2. Vouch expenses used to calculate Car Hire (internal) weights used in forecast to individual railroad Annual Report Form R-1s. Recalculate Car Hire (internal) weights used in forecast.[9]
3. Recalculate the mathematical accuracy of the Car Hire Index calculation, forecast and actual.
4. Agree the Lease Rental Index to the Other Expenses Index (which should match because it uses the same source) for both forecast and actual.

   Results: No exceptions were noted.

Depreciation Index
AAR uses the Producer Price Index for Railroad Equipment (PPI-RE) in a statistical package to forecast the Depreciation Index, and the latest PPI-RE data to calculate the actual Depreciation Index. PPI data available at the time of the filing are the final version used.

1. For the most recent six months (February 2023 through July 2023) available at the time of the RCAF filing (September 5, 2023), agree the inputs in the AAR's forecast of the current quarter Depreciation Index to the Producer Price Index for Rail Equipment (PPI-RE) as released by the Bureau of Labor Statistics near the middle of August 2023.[10]

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[8] Forecast month for Car Hire is the most recent month available at the time of filing. Actual month for Car Hire is the middle month of the Actual quarter, which is two quarters prior to the current quarter.

[9] Car Hire internal weights are derived from R-1 Schedule 414 for the benchmark year. The weights used to combine Car Hire and Lease Rentals into Equipment Rents are from R-1 Schedule 410.

[10] The AAR must use the data available at the time of the filing, and cannot use subsequent revisions made by the source (Bureau of Labor Statistics). For a Q1 forecast, submitted near December 5, the most recent six months will be May through October as available in mid-November. In the case of a Q2 forecast, submitted near March 5, the most recent six months will be August through January as available in mid-February. In the case of a Q3 forecast, submitted near June 5, the most recent six months will be November through April as available in mid-May. For a Q4 forecast, submitted near September 5, the most recent six months will be February through July as available in mid-August.

2. For the months of April, May, and June 2023, agree the inputs to the AAR's actual 2023Q2 Depreciation Index to the PPI-RE as available near the middle of August 2023.[11]

3. Recalculate the mathematical accuracy of AAR's calculation of the 2023Q2 Depreciation actual Index used in the 2023Q4 filing.
4. Agree the 2023Q2 Depreciation actual Index from the RCAF-Depreciation spreadsheet to the actual Depreciation Index used in the 2023Q4 RCAF filing on the Forecast vs. Actual All-Inclusive Index page.

   Results: No exceptions were noted.

Interest Index
The Interest Index is updated one time per year – in the fourth quarter filing – using the latest data for all seven Class I railroads as reported in Annual Report Form R-1. The index is calculated by comparing the current embedded interest rate to the rate for 1980. The forecast and actual versions are the same.

1. Trace interest and debt figures in the detailed computation worksheet to AAR's 2022 Summary Form R-1 (which is the benchmark year).[12]
2. Using the four largest railroads of the seven included in the AAR's 2022 Summary Form R-1, trace the interest and debt amounts to the amounts reported in each of the selected individual railroad's Annual Report Form R-1.
3. Recalculate the mathematical accuracy of the benchmark year embedded interest rate and Interest Index calculation, and agree to the current quarter index in the AAR 2023Q4 filing.

   Results: No exceptions were noted.

Other Index (a.k.a. Other Expenses Index)
AAR uses the Producer Price Index for Industrial Commodities Less Fuel and Related Products and Power (PPI-LF) in a statistical package to forecast the Other Index, and the latest PPI-LF data to calculate the actual Other Index. PPI data available at the time of the filing are the final versions used. (Both the forecast and actual versions are also used for Lease Rentals in the Equipment Rents Index.)

1. For the most recent six months (February 2023 through July 2023) available in the middle of August 2023 from the Bureau of Labor Statistics, agree the inputs in the AAR's forecast of the current quarter 2023Q4 Other Index to the Producer Price Index for Industrial Commodities Less Fuel and Related Products and Power (PPI-LF).[13]
2. For the months April 2023 through June 2023, agree the inputs in the AAR's actual Other Index to the PPI-LF data released near the middle of August 2023 by the Bureau of Labor Statistics.[14]
3. Recalculate the mathematical accuracy of AAR's calculation of the 2023Q2 Other actual Index used in the 2023Q4 filing.
4. Agree the 2023Q2 Other actual Index from the RCAF-Other spreadsheet to the actual Other Index used in the 2023Q4 RCAF filing on the Forecast vs. Actual All-Inclusive Index page.

   Results: The following exception was noted.
   For July 2023, the PPI-LF reported an input of 256.6, whereas AAR used an input of 256.9.

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[11] For a Q1 filing, the actual index quarter will be Q3 represented by July, August, and September as available around mid-November. For Q2, the actual index quarter will be Q4 represented by October, November, and December as available in mid-February. For a Q3 filing, the actual index quarter will be Q1 represented by January, February, and March as available in mid-May. For Q4, the actual index quarter will be Q2 represented by April, May, and June as available in mid-August.
[12] R-1 data for a benchmark year becomes available beginning with the Q4 (September 5) filing. Therefore, 2022 is the benchmark year for 2023Q4 through 2024Q3.
[13] The AAR must use the data available at the time of the filing, and cannot use subsequent revisions made by the source (Bureau of Labor Statistics). For a Q1 forecast, submitted near December 5, the most recent six months will be May through October as available in mid-November. In the case of a Q2 forecast, submitted near March 5, the most recent six months will be August through January as available in mid-February. In the case of a Q3 forecast, submitted near June 5, the most recent six months will be November through April as available in mid-May. For a Q4 forecast, submitted near September 5, the most recent six months will be February through July as available in mid-August.
[14] For a Q1 filing, the actual index quarter will be Q3 represented by July, August, and September as available in mid-November. For Q2, the actual index quarter will be Q4 represented by October, November, and December as available in mid-February. For a Q3 filing, the actual index quarter will be Q1 represented by January, February, and March as available in mid-May. For Q4, the actual index quarter will be Q2 represented by April, May, and June as available in mid-August.

PROCEDURES TO BE PERFORMED AT THE RAILROADS

Accounting firm to visit the headquarters of each of the four largest railroads (see footnote 1) to perform procedures. In the event the accounting firm is unable to visit the headquarters of each of the four largest railroads, accounting firm will work remotely to perform procedures defined herein.

Results: No exceptions were noted. RSM US LLP (RSM) did not visit the headquarters of the four largest railroads and performed the below procedures remotely.

General
The railroads provide confidential data to the AAR that is used to calculate the Fuel Index and the Materials & Supplies Index. They may also, on occasion, provide guidance for interpreting labor agreements.

Before visiting each of the four railroads (if applicable):

1. Discuss with AAR management change in personnel responsible for submitting reports/data to AAR for the purpose of Index calculation.
2. Obtain an understanding on the methodology from AAR staff, responsible for receiving and using data from the respective railroads, in connection with the preparation of P-Form, MS-Form and Fuel worksheet. Inspect AAR managements' approval of special situations, if any.
3. Obtain a list of appropriate personnel at the railroads from AAR management for purposes of conducting the exit interview at each railroad.
4. After notifying the railroad what supporting documentation is needed, receive all supporting documentation referenced below the week before the accounting firm visits the railroads.

   Results: No exceptions were noted.

At each railroad:

1. Obtain and read the railroad's written procedures (or, in the absence of written procedures, interview the person(s) responsible) in relation to the preparation of P-Form, MS-Form and fuel worksheet sent to the AAR.

   Results for Railroads I – IV: No exceptions were noted.

2. Discuss with the railroad's internal audit, or other appropriate personnel, and inquire on the most recent procedures performed in connection with the preparation and submission of the Index data to AAR, if any. If procedures were performed, obtain documentation evidencing procedures inquired above were in fact performed.

   Results for Railroads I, II & III: No exceptions were noted.

   Result for Railroad IV: An exception was noted. The railroad’s internal audit does not perform any procedures in connection with the preparation and submission.

3. Conduct an exit interview with appropriate railroad representatives, documenting attendees, findings and management's responses. An Exit Interview Summary will be provided to the Index Representative for the subject railroad. No railroad will have access to an Exit Interview Summary for a different railroad. The AAR will receive a copy of all four Exit Interview Summaries.

   Results for Railroads I – IV: No exceptions were noted.

4. Obtain management representation letter.

   Results for Railroads I – IV: No exceptions were noted.

Materials Price Questionnaire (P-Form P-2023 Q3)[15]

Among the procedures to be performed at the AAR is a step 1 associated with the Materials & Supplies Index, where the 10 highest items based on monetary values are selected. For the same 10 items, perform the following procedures:

1. Document how the railroad determines that the selected item specification was purchased in the largest dollar amount in relation to the purchases of other items in that category.

   Results for Railroads I – IV: No exceptions were noted.

2. Agree the information contained on the P-2023 Q3 sent to the AAR to the railroad's supporting worksheets and documentation. Refer to the P-203 Q3 and to the *Instructions for Completing and Documenting the AAR Materials and Supplies Price Survey* for instructions governing this P-Form.[16]

   Results for Railroads I, II & III: No exceptions were noted.

   Results for Railroad IV: The following exceptions were noted.

	P-Form Number	Per P-Form	Per invoices	Variance
Railroad IV				
Sample #4	6	$ 2,410.88	$ 2,318.30	$ 92.58

3. Determine whether price reported is based on a paid invoice, contract price or written quotation.

   Results for Railroads I – IV: No exceptions were noted.

Purchases of Materials and Supplies (MS-Form)[17]

1. Recalculate the mathematical accuracy of the individual railroad's MS-2022 sent to the AAR.

   Results for Railroads I – IV: No exceptions were noted.

2. Inquire of railroad's personnel as to whether the materials and supplies items reported on the MS-Form are being determined using purchase basis and using an AAR approved classification scheme.

   Results for Railroads I – IV: No exceptions were noted.

[15] Because materials purchases are assumed to be held in inventory for 3 months before they are expensed, the prices for prior quarter purchases are used to represent the RCAF's current quarter. For a Q1 RCAF filing, a Q4 P-Form is appropriate. For a Q2 RCAF filing, a Q1 P-Form is appropriate. For Q3 and Q4 filings, Q2 and Q3 P-Forms are appropriate, respectively.

[16] As stated in the instructions for P-Form, railroads should not deviate from the instructions unless they have "written approval of the AAR."

[17] The MS-Form for 2022 is the appropriate form for 2023Q3 through 2024Q2 RCAF filings.

3. For the same 10 items that were selected under procedures to be performed at the AAR, step 1 associated with the Materials & Supplies Index, obtain the detailed listings at the individual invoice level and agree to the sub-totals. Recalculate the mathematical accuracy of the detailed listings. If a detailed listing at the individual invoice level cannot be provided then the following steps for the MS-Form will not be completed.

   Results for Railroads II, III & IV: No exceptions were noted.

   Results for Railroad I: The following exceptions were noted.

	MS-Form Number	Per MS-Form	Per Report Details	Variance
Railroad I				
Sample #2	6	$ 223,768,252.00	$ 223,769,774.00	$ (1,522.00)
Sample #6	16	$ 9,375,611.00	$ 9,375,636.00	$ (25.00)

4. Haphazardly select one item each from each of the detailed listings obtained in step (3) above. For selected items, obtain related supporting documentation and vouch the invoice details per the detailed listing to the details per the supporting documentation.

   Results for Railroads I – IV: No exceptions were noted.

5. For the detailed listings obtained in step (3) above, scan the listings and identify invoices with dates that do not fall within the appropriate period (January 1, 2022 to December 31, 2022).[18] Document exceptions that are not inconsequential in the Exit Interview Summary. (Railroads can deviate from the M&S instructions with written permission from the AAR.)

   Results for Railroads I - IV: No exceptions were noted.

Fuel

1. Obtain copies of the fuel worksheet for April 2023, and agree to the railroad's submission to the AAR.[19]

   Results for Railroads I – IV: No exceptions were noted.

2. From the railroad's worksheet, recalculate the monthly average price for diesel fuel by dividing the total dollars invoiced (not necessarily paid) for fuel during the month by invoiced gallons. Note that delivery or receipt date may be used in place of invoice date if the fuel accounting system is based on that date; however, a combination of invoice dates and delivery dates may not be used.

   Results for Railroads I – IV: No exceptions were noted.

[18] Per AAR instructions, calendar year may be determined using invoice date or invoice paid date – but must be consistent.
[19] The actual Fuel Index is two quarters prior to the forecast index, and purchases for the first month of each quarter are used to represent the quarter. A Q4 forecast (typically submitted by the AAR around September 5) would have an "actual" that was the prior Q2 represented by the month of April.

3. Vouch source invoices (or equivalent) to railroad's fuel worksheet for April 2023, and determine that the population of invoices (or equivalent) included only invoices for fuel dated in that month plus invoices solely for the transportation and handling of fuel and any documents dated in that month pertaining to refunds and rebates. Note that delivery or receipt dates may be used in place of invoice date if the fuel accounting system is based on that date; however, a combination of invoice dates and delivery dates may not be used. Railroads can deviate from the AAR instructions if they have written permission from the AAR. If the railroad deviates from AAR instructions without written permission, then the following fuel worksheets steps cannot be completed.

   Results for Railroads I – IV: No exceptions were noted.

4. Agree the railroad's fuel worksheet information for April 2023 to the railroad's supporting worksheets. Haphazardly select five (5) fuel purchases from the railroad's worksheet for April 2023 and vouch information to the related invoice (manual or electronic). The amounts used should be exclusive of discounts for prompt payment, state and local taxes, freight charges provided by an affiliated company and DOE-ordered refunds.

   Results for Railroads I & III: No exceptions were noted.

   Results for Railroads II & IV: The following exceptions were noted.

	Per Fuel Worksheet	Per invoices	Variance
Railroad II			
Sample #3	$ 23,033.93	$ 23,033.98	$ (0.05)
Sample #4	$ 16,763.01	$ 16,762.67	$ 0.34
	Per Fuel Worksheet	**Per Invoices**	**Variance**
Railroad IV			
Sample #1	$ 1,152,149.62	$ 1,110,038.11	$ (42,111.51)
Sample #3	$ 2,100.01	$ 2,112.01	$ 12.00
Sample #4	$ 19,886.74	$ 19,663.81	$ (222.93)
Sample #5	$ 20,746.79	$ 20,549.98	$ (196.81)

We were engaged by AAR to perform this agreed-upon procedures engagement and conducted our engagement in accordance with attestation standards established by the American Institute of Certified Public Accountants. We were not engaged to and did not conduct an examination or review engagement, the objective of which would be the expression of an opinion or conclusion, respectively, on the underlying data and calculations for the AAR's RCAF for the fourth quarter of 2023. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

We are required to be independent of AAR and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our agreed-upon procedures engagement.

This report is intended solely for the information and use of AAR and STB, and is not intended to be, and should not be, used by anyone other than these specified parties.

RSM US LLP

McLean, Virginia
October 22, 2024