

revenues each year. It may also be utilized in other Board proceedings, including, but not necessarily limited to, those involving the prescription of maximum reasonable rate levels.

The cost-of-capital calculation has three elements: (1) The railroads' cost-of-debt capital; (2) the railroads' cost of preferred stock equity capital; (3) the railroads' cost of common stock equity capital; and (4) the capital structure mix of the railroad industry on a market value basis. With respect to the cost of equity, there are essentially two general approaches. It can be estimated directly by estimating its component parts, the factors for which investors ask compensation. These parts are the real time value of money, a premium for expected inflation, and a premium for risk. This is commonly referred to as the Capital Asset Pricing Model (CAPM) methodology. Alternatively, it can be estimated indirectly on the basis of the return expectations embodied in the prices investors are willing to pay for stocks, the Discounted Cash Flow (DCF) methodology. The point has often been raised, most notably by the railroads, that investors place less importance on historical growth factors than on the analysts' forecasts, thus making the forecast more meaningful. Other parties contend that investors do rely on historical trends and tend to discount the analysts' forecasts as being overly optimistic.

The Board has, for all previous cost-of-capital determinations, relied upon the DCF methodology to determine the railroads' cost of capital. We have also used the Institutional Brokers Estimate System (IBES) consensus forecast data to determine the growth rate ("g") component of the DCF formula. While the Board has relied on the use of the DCF methodology for determining the cost of common equity, there are other methodologies that could be employed. These include the CAPM, risk premium methods other than CAPM, earnings-price ratios, and the comparable earnings method.

We are seeking comments on the appropriate techniques and methodologies to be used to develop and evaluate the evidence submitted for the cost of capital. Parties should discuss any changes in underlying railroad industry economic conditions that would create the need to change the methodology currently employed by the Board, and how any proposed methodology will overcome the shortcomings, if any, of the currently used DCF method.

This proceeding will provide all interested parties an opportunity to comment on the DCF model, the proper

source for the inputs to that model, and whether the Board should adopt an alternative to that method, such as the CAPM model, for future cost of capital determinations.

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

Pursuant to 5 U.S.C. 605(b), we certify that the proposed action would not have a significant economic impact on a substantial number of small entities within the meaning of the Regulatory Flexibility Act.

Board decisions and notices are available on our Web site at <http://www.stb.dot.gov>.

Decided: September 15, 2006.

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

Vernon A. Williams,
Secretary.

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DEPARTMENT OF TRANSPORTATION

Surface Transportation Board

[STB Docket No. AB-871X]

State of New Hampshire Department of Transportation—Abandonment Exemption—in Belknap County, NH

The State of New Hampshire, Department of Transportation, Bureau of Rail and Transit (NHDOT), has filed an amended notice of exemption¹ under 49 CFR part 1152 subpart F—*Exempt Abandonments* to abandon a portion of rail line known as the Lakeport Spur, in Belknap County, NH, extending from engineering station 1 + 70 to engineering station 11 + 28.11 (on Valuation Section V.21, Map 65-A).² The line traverses United States Postal Service Zip Code 03246.

NHDOT has certified that: (1) No local traffic has moved over the line for at least 2 years; (2) there is no overhead traffic on the line to be rerouted; (3) no formal complaint filed by a user of rail service on the line (or by a state or local government entity acting on behalf of such user) regarding cessation of service

over the line either is pending with the Surface Transportation Board or with any U.S. District Court or has been decided in favor of complainant within the 2-year period; and (4) the requirements at 49 CFR 1105.7 (environmental reports), 49 CFR 1105.8 (historic reports), 49 CFR 1105.11 (transmittal letter), 49 CFR 1105.12 (newspaper publication), and 49 CFR 1152.50(d)(1) (notice to governmental agencies) have been met.

As a condition to this exemption, any employee adversely affected by the abandonment shall be protected under *Oregon Short Line R. Co.—Abandonment—Goshen*, 360 I.C.C. 91 (1979). To address whether this condition adequately protects affected employees, a petition for partial revocation under 49 U.S.C. 10502(d) must be filed.

Provided no formal expression of intent to file an offer of financial assistance (OFA) has been received, this exemption will be effective on October 25, 2006, unless stayed pending reconsideration. Petitions to stay that do not involve environmental issues,³ formal expressions of intent to file an OFA under 49 CFR 1152.27(c)(2),⁴ and trail use/rail banking requests under 49 CFR 1152.29 must be filed by October 5, 2006. Petitions to reopen or requests for public use conditions under 49 CFR 1152.28 must be filed by October 16, 2006, with the Surface Transportation Board, 1925 K Street, NW., Washington, DC 20423-0001.

A copy of any petition filed with the Board should be sent to NHDOT's representative: Stephen G. LaBonte, Assistant Attorney General, Office of the Attorney General, 33 Capitol Street, Concord, NH 03301.

If the verified notice contains false or misleading information, the exemption is void *ab initio*.

NHDOT has filed a combined environmental report and historic report which addresses the effects, if any, of the abandonment on the environment and historic resources. SEA will issue an environmental assessment (EA) by September 29, 2006. Interested persons may obtain a copy of the EA by writing to SEA (Room 500, Surface Transportation Board, Washington, DC

¹ NHDOT originally filed its notice of exemption on March 14, 2006. After consulting with the Board's Section of Environmental Analysis (SEA), NHDOT filed an amended notice of exemption on September 5, 2006, which became the official filing date.

² NHDOT states that, prior to the filing of this notice of exemption, the property was acquired by James R. Irwin, & Sons, Inc., and currently is being used for a commercial boat storage facility and marina.

³ The Board will grant a stay if an informed decision on environmental issues (whether raised by a party or by SEA in its independent investigation) cannot be made before the exemption's effective date. *See Exemption of Out-of-Service Rail Lines*, 5 I.C.C.2d 377 (1989). Any request for a stay should be filed as soon as possible so that the Board may take appropriate action before the exemption's effective date.

⁴ Each OFA must be accompanied by the filing fee, which currently is set at \$1,300. *See* 49 CFR 1002.2(f)(25).

20423-0001) or by calling SEA, at (202) 565-1539. [Assistance for the hearing impaired is available through the Federal Information Relay Service (FIRS) at 1-800-877-8339.] Comments on environmental and historic preservation matters must be filed within 15 days after the EA becomes available to the public.

Environmental, historic preservation, public use, or trail use/rail banking

conditions will be imposed, where appropriate, in a subsequent decision.

Pursuant to the provisions of 49 CFR 1152.29(e)(2), NHDOT shall file a notice of consummation with the Board to signify that it has exercised the authority granted and fully abandoned the line. If consummation has not been effected by NHDOT's filing of a notice of consummation by September 25, 2007, and there are no legal or regulatory barriers to consummation,

the authority to abandon will automatically expire.

Board decisions and notices are available on our Web site at <http://www.stb.dot.gov>.

Decided: September 15, 2006.

By the Board, David M. Konschnik,
Director, Office of Proceedings.

Vernon A. Williams,

Secretary.

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