Hunter Testimony Facts Not in Evidence:

- "[T]he project may require additional funding from other sources." Test. p. 5, l. 7.
    - No record support for this opinion based on fact.
- "[M]y employee visited Sparta to inspect existing CSX infrastructure, observe the properties, and interview property owners, and I reviewed photos from that visit. Those photos are attached as Exhibit 2." Test. p. 5, l. 24 – p. 6, l. 2.
    - Relies on reports not in evidence.
- Sandersville Community Meeting Slides, August 2022. Test. p. 6, l. 16.
    - Slides not in evidence.
- "Property should not be condemned for a project about which Sandersville, and everyone else, seems to know so little." Test. p. 6, l. 22-23.
    - Assumes fact of Sandersville and others' knowledge not in evidence.
- "The crossing from the CSX mainline to the new railroad will need to be an underpass under the major State Highway 16/Augusta Highway." Test. p. 10, l. 15-16.
    - No support from facts in evidence.
- "This line is presented as a new common carrier railroad . . . ." Test. p. 10, l. 21-22.
    - No record support for this assertion.
- "The complete capital costs for this project once all costs are accounted for are likely to be more like $20 million." Test. p. 10, l. 23 – p. 1, l. 1.
    - No basis in record for this figure.
- "That local traffic will always move by truck. . . ." Test. p. 12, l. 20.
    - Assumes, without record support, fact about Heidelberg business.
- "They will not begin construction on the spur to connect until they approve the service and infrastructure." Test. p. 14, l. 17-18.
    - Opinion based on fact not in record.
- Section titled: "Sandersville's Plan is Not Economically Feasible." Test. p. 19, l. 17 – p. 20, l. 24.
    - Assumes facts about Sandersville Railroad's business practice or finances not in evidence.

- "Sandersville's proposed 4.5-mile short line railroad connecting the Hanson Quarry with the CSX line is not 'necessary for the proper accommodation' of Sandersville's 'business.'" Test. p. 22, l. 1-2.

    - Opinion based on fact not in record.

Hunter's Exhibit 3 Facts Not in Evidence

- "Essentially, the project owners estimated the capital costs at only $7.4 million, when they are actually over $20 million." (3)
    - Source in record, if any, not identified.
- Cost Component Table. (4)
    - Source in record, if any, not identified.
- "Most of the traffic and customers presented for this line have no way of shipping direct rail on the line." (4)
- "Analysis showed that even after 20 years, the project would not be half way paid for." (4)
    - Presumes to understand, without record support, SAN's financing plans.
- "The only customer with traffic developed enough to responsibly count toward the feasibility of this line is Heidelberg with 400,000 tons annually." (4)
    - Unwarranted assumption of business operations of other potential shippers.
- SRC Sparta Operation Projection Table. (5)
    - Source in record, if any, not identified.
- "Essentially, this project has not been developed far enough to spend any capital or engage in any adverse actions." (5)
- "As far as we know at this time . . . [CSX] has had no dealings with Heidelberg or any other customers who could possibly use this new railroad." (7)
    - Neither Hunter's lack of knowledge, nor the absence of any positive record evidence, provides support for conclusion that CSX has had no dealings with any customer who could possibly use the new railroad.
- "Any private investors would require a return on their investment after a short period. This means that the railroad would have to operate profitably enough to cover the capital costs and yield enough for an internal rate of return of at least 10-20%." (8)
    - Assumes facts about SAN's financing plans and railroad business not in evidence.
- "If Heidelberg spends $6 million in capital costs, it would need to sell enough additional aggregate by rail with enough profit remaining to cover the capital costs and a return on the investment." (8)
    - Assumes facts of Heidelberg's operation not in evidence.

- "[A]ny private funding will usually require a greater return and a shorter time period, sometimes as few as three years to cover the capital costs and begin earning a lucrative return." (9)
    - Opinion based on fact not in evidence.
- "All capital costs for the railroad have been developed using public indices . . ." (9)
    - No reference to source.
- "[A]ll capital costs for the project must be recuperated regardless of who is paying for them or constructing them." (10)
    - Opinion based on fact not in evidence.
- "Any shippers on the line would have to pay the rate for the new short line railroad as well as CSX's line haul rate." (10)
    - Assumes, without record support, there will be a short line rate.
- "Each traffic lane must be specifically developed with all of the pieces in place, including loading, volumes, specialized equipment for each material, end markets and their unload capabilities, any special or multimodal handling along the way, and all of the associated costs to consider traffic secured for a rail operation." (11)
    - Assumes, without record support, rigid requirements of SAN's business practice.
- "In order to reach the new railroad and CSX connection as proposed, Southern Chips would need to truck its product to Sparta for transloading to the railroad there, adding those costs to whatever the rail rate may be." (13)
    - Assumes, without record support, requirement of Southern Chips.
- The five lanes identified by Mr. Cale "would so need to be costed against straight trucking to ensure the origin end truck+transloading+shortline+CSX rate is actually less expensive." (14)
    - Incorrectly assumes existence of shortline.
- Regarding Heidelberg: "The minimum rate per car this new railroad would be able to charge Heidelberg would be its cost per carload, which is $72.26 or $0.63 per ton, which would be a $0 profit, 0% margin and 0.00 RVC. The maximum rate would be what Heidelberg could get moving by another mode, and the cheapest developed in the Transportation Costs Chapter was using transload for a total cost of $109 per ton, or a rail rate of $124 per car. This would be only a 1.7 RVC. A survey of existing rail rates for moving aggregates (bulk non-metallic minerals except fuels) from CSX and NS public tariffs shows the average RVC to be 2.74." (17)
    - Source in record, if any, not identified.

- List of requirements for operating plan. (18)
    - Assumes, without record support, industry standards and average rail costs can usefully be applied to SAN's operating plan.
- Picture of tracks in bad shape. (21)
    - Not in record.
- "[W]ithout the detailed specifications provided from SRC on its track design plans, RII feels the actual capital costs will be much higher and has estimated them for ourselves for a more accurate feasibility analysis." (22)
    - Opinion based on fact not in record.
- Regarding Port of Savannah current truck costs: "This 326 mile, 5.5 hour round trip route assumes one loaded truck per day for each truck or 69 trucks and 69 drivers." (33)
    - Source in record, if any, not identified.

BEFORE THE
GEORGIA PUBLIC SERVICE COMMISSION

Sandersville Railroad Company Hancock County, Georgia **In re: Sandersville Railroad Company's Petition for Approval to Acquire Real Estate by Condemnation**	Docket No.: 45045

PRE-FILED RESPONSIVE EXPERT TESTIMONY OF GARY HUNTER

on behalf of the Property Owner Respondents

August 25, 2023

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**Pro hac vice* applications pending

Counsel for Property Owner Respondents

Q. PLEASE STATE YOUR NAME AND ADDRESS.

A. My name is Gary Hunter, and my address is 8098 Anselmo Ct., Reno, Nevada 89523.

Q. ON WHOSE BEHALF ARE YOU TESTIFYING IN THIS PROCEEDING?

A. I am testifying on behalf of the Property Owner Respondents.

Q. PLEASE STATE YOUR CURRENT TITLE AND RELEVANT WORK EXPERIENCE.

A. I am the Chairman & Chief Executive Officer of Railroad Industries, Incorporated, a full-time transportation consulting practice where my duties include operations analysis, marketing analysis, railroad mergers and acquisitions, financial analysis, equipment analysis, facility design, competitive analysis, rate negotiations and sales, developing agreements, training and expert witness work, tourist railroads, and short line railroads. I have held this position since 1994. Prior to forming Railroad Industries, Incorporated, I held positions in numerous railroad companies. From 1976-1981, I worked for the Western Pacific Railroad in the San Francisco Bay area, which included staff and direct line supervision of railroad operations; coordination of schedules, assignments, and train performance; and working with other company departments such as sales and marketing, car distribution, train operations, traffic development, dispatching, car maintenance, and mechanical.

From 1981-1987, I worked for the Southern Pacific Transportation Company based in San Francisco, where I worked in the Market Planning Department, the Intermodal Department and in the Marketing Services Department. My responsibilities included developing agreements, developing short line railroads, and working with transportation, operations, and equipment utilization. From 1987-1989, I was a consultant with Transportation Marketing Services, Inc. My duties included equipment analysis, physical distribution, and logistics analysis, and I gave testimony and prepared traffic and revenue projections and traffic flow analysis for the Anschutz Corporation and Rio Grande Industries' acquisition of the Southern Pacific Transportation

Company. I was also involved heavily in short line acquisitions and due diligence. In 1993, I became the General Manager for the Arkansas Midland Railroad, a short line railroad with 131 miles of track, 37 employees, and 21,000 annual carloads. A copy of my resume is attached as Exhibit 1.

I have extensive experience with moving aggregates by rail, including stone, rock, sand, gravel, and cement. For several years at Southern Pacific, I led the effort in converting small aggregate shipments into very profitable unit train movements, saving costs for both shippers and Southern Pacific. These trains move aggregates from the Beckman, Texas area to the Houston and Dayton, Texas areas, moving over 3 million tons of aggregate by rail annually to four major distribution facilities. These 60-80 car unit trains were in a continuous cycle with dedicated locomotive power and railcars. Trains were loaded by front-end loader in 8 hours and unloaded within 24 hours at destination. In addition to this major project, I was also involved with setting up spot aggregate moves to specific job sites in Texas. I was also involved with sand and gravel moves from the Eagle Lake, Texas area to Houston. I have also worked with aggregate shippers and railroads in California, South Carolina, and Arkansas to develop cost-saving rail transportation, including equipment utilization, competitive analysis and costs, infrastructure needs at origin and destination for optimized operations for all parties, contract negotiations, and railroad service and facility design.

Q. HAVE YOU PREVIOUSLY TESTIFIED BEFORE THE COMMISSION?

A. No.

Q. PLEASE SUMMARIZE AND OUTLINE YOUR TESTIMONY.

A. I have been asked to respond to the direct testimony of Sandersville Railroad ("Sandersville" or "Sandersville Railroad") and to provide expert testimony about the economic feasibility of Sandersville's proposed new short line railroad. The 4.5-mile railroad would be located in Hancock County, Georgia, and would connect the Heidelberg, or "Hanson," aggregate quarry in

Sparta, Georgia, to the CSX branch line operating east of Sparta. In order to build this line, Sandersville Railroad will need to acquire right of way from eighteen existing properties in the Sparta area. Most of the property owners are not willing to sell their properties.

Sandersville proposes to operate one train each way daily between the Heidelberg/Hanson quarry and the CSX interchange on this 4.5-mile new railroad. The train is expected to operate during daylight/normal business hours at 20 mph and a one-way trip should take 20 minutes. Sandersville has asked for a 200-foot right of way surrounding the tracks. In my experience, a 50-foot right of way is normal for this type of project. Sandersville has requested more right-of-way than is normal for a railroad like this. Additionally, Sandersville claims that the route selected going through 18 properties was the "most efficient" and minimized environmental impacts such as impacts to wetlands and steams. However, no evidence has been provided on other routing options that were tested. No alternative routes or transportation options, nor feasibility studies have been presented by Sandersville Railroad to compare least-impact options before depriving citizens of their property.

I have reviewed Sandersville's direct testimony, and in my expert opinion, the project is not economically feasible. It would take decades to recover its costs. I have performed an economic feasibility analysis, which shows that with current information provided, Sandersville's project is not an economically feasible project. Sandersville should have done an economic feasibility analysis itself, but it has not done so. (*See* August 10, 2023 Sandersville's Objections and Responses to Subpoena to Testify and Duces Tecum, at pp. 9-10).

According to Sandersville, the capital costs for this project are reported to be over $7 million (SRR Community Meeting Slides, August 2022) plus another $6 million in infrastructure improvements at the Heidelberg quarry in order to establish this rail link (Testimony of Scott Dickerson, at p. 9). However, there is no documentation to support showing what these costs cover. The costs are more likely much higher. There is also no documentation to support the assertion that

500,000 tons of aggregate will move by rail and no traffic count or commitment from any of the other shippers who testified. There is no feasibility study presented to justify the expenditure of these millions of dollars. Many of Sandersville's witnesses testify that rail shipping will reduce their costs, but there is no analysis presented to show that the cost savings will pay for or justify the capital costs. Although Sandersville has stated that it will be financing the project itself (*see* August 10, 2023 Sandersville's Objections and Responses to Subpoena to Testify and Duces Tecum, at p. 7), the project may require additional funding from other sources. It does not appear that the traffic produced by the Heidelberg facility will produce enough traffic to justify this capital project, so without such a study or evidence to prove otherwise, it is doubtful why any investment partner or funding grantor (private or especially public) would approve such a project. In all my years of experience in the rail industry, including numerous new construction projects, I have never heard of capital costs being expended like this without a detailed feasibility study. The "public use" test for condemnation is not met if the project is not even feasible.

My testimony proceeds as follows: First, I describe information missing from Sandersville's testimony and why that information is necessary to these proceedings. Second, I explain the problems with Sandersville's plan. Third, I show that the benefits promised by Sandersville are illusory. Fourth, I demonstrate that reasonable alternatives to Sandersville's plans exist. Fifth, I analyze the economic feasibility of Sandersville's plans. Finally, I discuss why Sandersville's plan does not meet the statutory standards for the use of eminent domain in Georgia.

SANDERSVILLE'S TESTIMONY IS MISSING IMPORTANT INFORMATION

Q. WHAT MATERIALS DID YOU REVIEW TO PREPARE FOR YOUR TESTIMONY?

A. I reviewed the following list of materials. Additionally, my employee visited Sparta to

inspect existing CSX infrastructure, observe the properties, and interview property owners, and I reviewed photos from that visit. Those photos are attached as Exhibit 2.

- Amended Petition for Approval to Acquire Real Estate by Condemnation In Re: Sandersville Railroad Company, Hancock County, Georgia Acquisition Docket No. 45045.
- Pre-Filed Direct Testimony of Benjamin Tarbutton III
- Pre-Filed Direct Testimony of Alan Haywood
- Pre-Filed Direct Testimony of Gregory D. Teague
- Pre-Filed Direct Testimony of Arnie Pittman
- Pre-Filed Direct Testimony of Jeffrey Custer
- Pre-Filed Direct Testimony of Scott Dickson
- Pre-Filed Direct Testimony of Cale Veal
- July 26, 2023 Subpoena to Testify and Duces Tecum, Exhibit A ("the Hearing Officer's Data Requests")
- August 10, 2023 Sandersville's Objections and Responses to Subpoena to Testify and Duces Tecum
- Sandersville Community Meeting Slides, August 2022

Q. DOES SANDERSVILLE'S DIRECT TESTIMONY CONTAIN THE INFORMATION SANDERSVILLE WOULD NEED TO KNOW TO BUILD ITS PROJECT?

A. No. Most of the testimonies are broad generalizations about wishful traffic, unsubstantiated promises of economic development, misleading statistics about unemployment in Hancock County, unsubstantiated assertions about how the project will impact the County, and unsupported capital cost estimates. Property should not be condemned for a project about which Sandersville, and everyone else, seems to know so little.

Q. WHAT ELSE WOULD SANDERSVILLE NEED TO KNOW?

A. At the time of drafting this testimony, Sandersville has not provided the details needed to prove the project is feasible and show proof of traffic, revenue, and costs. The documents the Hearing Officer requested are essential for examining the feasibility of the project and measuring possible public impacts, both positive and negative. This is all analysis Sandersville should have completed before ever moving forward with capital expenses or adverse actions. Without the documents, this project is an exercise in conjecture at the expense of the residents and current property owners. One cannot condemn people's private property in Georgia because they simply feel they could use it better. Most of the documents and testimony provided to date have simply been hypothesizing about what a project like this might be like without understanding everything involved. The only traffic developed enough to even consider is Heidelberg's, which also has flaws before it would be considered true traffic to justify the capital expenses for this project.

I understand that the railroad will provide some of the documents the Hearing Officer has requested. I will update my testimony to provide analysis based on these documents if they affect the conclusions I make here.

Reviewing the documents that Sandersville has so far provided, however, leads me to conclude that this project is ill-conceived and based on several erroneous assumptions. For instance, most of the testimonies are filled with misrepresentations about where this line will actually connect and suggests that the real purpose of this project is to establish a foothold using condemnation and continue to build under this guise until it can connect the pieces of the Sandersville Railroad. This is the only way most of the purported customers' testimonies make sense – if they believe they can access CSX from their Sandersville facilities. Before the railroad could connect Sandersville to CSX, several other factors would have to be considered; for instance, the impact on Norfolk Southern, the Class I railroad connected to the existing Sandersville Railroad who would lose traffic to its main competitor CSX; or the Surface Transportation Board's position, the authority that regulates railroad

access and competitiveness that would need to approve any new short line that would impact the competitiveness of CSX and Norfolk Southern.

Below is a list of minimum information that should be developed and provided to prove feasibility:

1. Detailed capital costs for the 4.5-mile line, including a breakdown of costs for track components, feet of track in all locations, locations of switches, ballast to be installed, any bridges and culverts, and any crossings (including at-grade and underpasses for Hwy 16, public and private, regardless of who pays for them).
2. Detailed capital costs for infrastructure at the quarry, including the noise mitigation berms, conveyor equipment, other equipment, and track components as above.
3. Interchange support tracks as dictated by CSX requirements, including track lengths, switches, etc.
4. Detailed contact with CSX to know their plans to handle this traffic, requirements for infrastructure and service, expected rates, etc.
5. Detailed environmental study following guidelines for a brand new railroad construction.
6. Any feasibility analysis performed by other parties, including profitability, return on investment, etc. from railroad, shippers, funding applications, etc.
7. Actual traffic projections and commitments of other potential customers, with feasibility of their traffic measured against additional capital costs to handle their traffic.
8. Any market analysis to support demand for commodities to move in this project to the suggested markets, including competition analysis to show what market share they could get to determine actual likely traffic for the new railroad.
9. Any costing studies performed showing current costs to truck to current markets showing current equipment, materials, and capacities.

10. Any costing performed to show costs to truck to the CSX mainline.
11. Any operational economics for the proposed railroad to show the proposed operating plan to be feasible, including cost breakdown and service plan.
12. Any competitive analysis to show how Heidelberg will secure markets from quarries currently shipping unit trains who are served directly by CSX.

All of these items would need to be provided or developed in order to truly prove feasibility. Most of these items have been requested by the Hearing Officer's Data Requests but have not yet been provided. Until this information is provided, feasibility, return on investment and proper economics cannot be determined, and my feasibility study will likely need to be updated with the more concrete data. In any event, the alternatives must be examined and feasibility established before the project can proceed.

SANDERSVILLE'S PLAN HAS SEVERAL PROBLEMS

Q. BASED ON THE INFORMATION AVAILABLE TO YOU, DOES SANDERSVILLE'S PLAN HAVE ANY PROBLEMS?

A. Yes. So far, Sandersville Railroad has only proposed a conceptual rail plan on paper. A ballpark figure of $7.4 million in costs was presented (SRR Community Meeting Slides, August 2022) without a detailed cost breakdown showing how much is for track, bridges, property acquisition, environmental assessment and engineering, crossings and safety features, etc. Such information was requested but not yet provided. Only if the project is feasible will it be available for use by the public. Feasibility is proven by detailed capital costs, operating/transportation costs savings, and enough traffic with proven demand. Such information has been requested of Sandersville Railroad but has not yet been provided.

The biggest issue with constructing this 4.5-mile new railroad at this time, including taking

any adverse actions on property owners, is that feasibility, and therefore public need, has not been proven. The entire project is in a conceptual phase, not an acquisition and implementation stage. No evidence has been presented that project costs have been developed to the necessary detail to include everything needed. No evidence has been presented to support committed traffic levels to pay for the project, including ensuring the target end markets can receive the tonnage projected. No evidence has been presented to show that the final transportation costs will provide enough savings to Heidelberg to justify their own facility capital costs.

The capital costs noted in the information presented by Sandersville Railroad states a cost of $7.4 million (SRR Community Meeting Slides, August 2022). This figure seems very low considering everything that will need to be constructed. Since a detailed cost breakdown was not provided, we cannot tell if that figure includes the CSX interchange tracks, the support tracks for building the unit trains, bridges, crossings, just compensation for property condemnations, or any other features. There are at least two bridges on this planned 4.5-mile railroad and a major at-grade crossing based on exhibit maps submitted in the Testimony of Gregory Teague of Croy Engineering, who is the design engineer for Sandersville Railroad. The crossing from the CSX mainline to the new railroad will need to be an underpass under the major State Highway 16/Augusta Highway, similar to the one the nearby Vulcan quarry has. This is a major cost clearly not included in the capital costs so far presented.

The project will also need to determine if there are any stricter environmental requirements since this is clearly a new railroad construction – not a railroad spur. A spur is a track diverting from the existing main line, which in this case would be operated by the existing railroad (CSX). This line is presented as a new common carrier railroad allegedly serving multiple customers with an operator not currently connected to the Class I railroad (who will have separate operating authority). The complete capital costs for this project once all costs are accounted for are likely to be more like $20

million.

In addition, Heidelberg mentions another $6 million in infrastructure improvements it will need to make at its facility (SRR Community Meeting Slides, August 2022 and Testimony of Scott Dickerson, at p. 9) bringing the total capital costs to possibly over $20 million. However, no details have been provided to show what this includes. Heidelberg mentions 20-foot high tree covered berms around the quarry as a noise mitigation barrier, conveyor systems for rail loading and some other equipment. The Vulcan facility next door has over 15,000 feet of track within its facility for rail support tracks, loading, car storage for empties and unit train building. This puts Sandersville at a competitive disadvantage. Unit trains would either need to be built within the Heidelberg facility on extensive tracks able to handle two 100-car long trains, or these tracks will need to be built elsewhere on the new railroad's system, perhaps at the yard planned for Galilee Rd. Wherever they are built, they add substantially to the overall capital costs for the project. The Vulcan unit train operation will continue to be more competitive since it is established, trains are built in facility, and it is served directly by CSX.

Capital costs include all costs associated with establishing the project. Numerous pieces of this project have been left out of the capital costs. One example is that CSX will likely construct the siding into the new interchange tracks from its own main line. However, these costs still need to be included in the capital costs; CSX will be recovering their costs for such construction either by billing them back to the new short line railroad (Sandersville), or by charging extra in their rates for traffic off this new railroad.

The key is that whoever is paying for the line other than Sandersville, whether that is investment partners and shippers, financing from a private lender, or public funding, will require the project to be feasible. At a minimum, the revenue or savings must recover the costs. Even more likely, there is an expected rate of return on the costs, putting even more pressure on the project to

support itself.

Capital costs would not be an issue if there were sufficient traffic and revenue to justify the project. Rail is not a "build it and they will come" industry. Traffic and revenue levels are the lifeblood of any railroad. Several shippers have stated "they would use" the line, but they have not given traffic estimates nor committed any traffic to justify the capital costs. Several of them mentioned wanting competitive direct rail access to CSX markets, yet they are not even located on Sandersville's new short line. Most of them are located in Sandersville, Georgia, on the existing Sandersville Railroad almost 20 miles away. For them to utilize Sandersville's new line, they would need to pay to truck their product to Sparta (*adding* trucks to the local roadways, not removing them), transload it to the new railroad, pay the Rule 11 rate for the new railroad, plus CSX's line haul rate. This makes traffic from these customers unlikely.

Pittman Construction, which is located inside Hanson Quarry, is the only other customer actually on the proposed new railroad who could use it. If Pittman were to commit traffic, it would need to have enough traffic to justify and recover costs for an additional rail spur into its own facility. Thus far, Pittman has not identified or quantified a plan for such a track, costs for it, or the traffic to justify it, so the only viable traffic to consider for this project at this time is the Heidelberg traffic. However, this traffic should also be verified to ensure that Heidelberg actually has a market able to receive all 400,000 tons of unit train traffic.

Heidelberg already ships 250,000-350,000 tons of aggregate annually by truck to local markets. That local traffic will always move by truck, getting the aggregate directly to the local job sites, most of which are not located on the rail line. Heidelberg noted that its quarry capacity would be 700,000 annual tons, which only leaves 350,000-450,000 remaining tons to move by rail (vs. the 500,000 pitched in the presentations). If we look at 400,000 tons, that is 8,000 tons per week, or 16 railcars per day at most. This is a miniscule amount of traffic to justify constructing a new rail line.

Another key unanswered question for feasibility analysis is also how long it will take Heidelberg to expand their quarry and be ready to ship another 400,000 additional tons.

Also, capacity does not equal traffic. All companies wish they had orders for 100 percent of their product. The traffic will be dictated by the demand for the aggregates and Heidelberg's ability to compete for market share. Heidelberg indicated that it wanted to compete for CSX markets like Savannah, Wilmington, and North Carolina, but this wish appears to be speculative at this time. No market analysis or traffic demand information was provided, let alone Heidelberg's established competition in these markets. Sandersville admitted in its response to the Hearing Officer's Data Requests that "no [market] surveys [are] in its possession, custody, or control." (August 10, 2023 Sandersville's Objections and Responses to Subpoena to Testify and Duces Tecum, at p. 8.) Currently, Vulcan Materials is directly served by CSX. This means that Vulcan's rail rate includes only CSX in its routing. Heidelberg's rail rate will need to include CSX's rate plus the rate of the new short line railroad. Because of the low margin for transportation costs with aggregates, this difference in rate will have a significant impact. Another major competitor, Martin Marietta Materials, is located with direct CSX access in Camak with even lower costs than Vulcan located at the end of the branch line. Even if the new short line were to lower its rate for Heidelberg, it cannot lower the rate under its own cost to operate, and the lower profit margin it charges, the thinner the feasibility of the line becomes.[1] Feasibility is determined by the cash flow after operating costs for capital cost recovery.

Desire for other markets does not constitute need. If this were someone's own property, they could risk whatever capital they wished and chase those desires for better or worse. However, in

[1] The Georgia Legislature has passed laws granting the Public Service Commission the power to regulate a railroad's intra-state rates. O.C.G.A. § 46-8-20. It does not appear that the Commission currently exercises this power, and it is unknown whether, or to what extent, the Commission will attempt to exercise this power in the future.

order to take someone else's personal property away in the state of Georgia, there must be a public use. The need has definitely not been proven at all, and it is certainly not a present need since so many capital expenses will be needed beyond what Sandersville Railroad has presented and since all customers except for Heidelberg have not even committed specific traffic levels to established markets. There is only one customer proven for this project, making it a private benefit versus public.

Examination of the customers shows that the only customer with viable traffic at this time is Heidelberg. The condemnation would be for the private use of Sandersville Railroad with a single customer. There are alternatives to this customer (as well as all other customers suggested) as they currently use trucking or have access to rail already. Adding at-grade crossings always increases risk. Members of the public who are actually affected by this project are adamantly opposed to it. There is no proof of any public that would benefit from the project.

Another major issue with this proposed operation is the lack of any feedback or direction from CSX. CSX is the Class I railroad carrier connecting this proposed line to the national rail system and will dictate what is required for infrastructure to connect as well as service, equipment and rates. CSX's requirements to handle this project will likely change its costs (usually adding to them) for both capital costs and operating costs. Signoff from the connecting Class I carrier is always required before moving forward with a project. This could affect train sizes and volumes. They will not begin construction on the spur to connect until they approve the service and infrastructure.

Several of the figures presented in the plan also do not seem to make sense. The plan claims that one train per day will operate each way on the line. However, for one 60-80 car train for a single customer, it should require only one train per week on the line to bring this weekly train to interchange. To operate a trip more often would be inefficient and increase the rail costs significantly for no reason. In addition, the truck to railcar ratio does not make sense. A standard ratio is maximum 25 lading tons per truck and 100 lading tons per railcar, for a ratio of 4:1. Specialized equipment is

needed to increase those maximum ladings to 28 tons or up to 114 tons respectively (for the same ratio). However, no information has been provided on specialized dedicated equipment, and such equipment would increase the capital costs for the project. Therefore, the trucks currently used or required presented by Sandersville Railroad for Heidelberg make no sense. In fact, any trucks currently used by Heidelberg for local markets would continue to be served by trucks, and if Heidelberg can only reach CSX markets with rail, then absolutely zero trucks are removed from the highways with this project.

THE BENEFITS PROMISED BY SANDERSVILLE ARE ILLUSORY

Q. WHAT IS YOUR OPINION ABOUT THE BENEFITS SANDERSVILLE CLAIMS WILL RESULT FROM ITS PROPOSED RAILROAD?

A. Those benefits are illusory. If this were simply an economic development project for which a grant (free money) was received to install a project for the hope of future economic development, there might be less concern over the project proving it could support itself (as opposed to being a waste of money). However, the trade-off for this type of funding is usually that an economic development agency seeking out or applying for such funds has likely already performed the studies needed to show significant need or ability to use the project. There would appear to be an economic development entity behind and supporting the project: the Sparta Hancock Development Authority (SHDA). However, research indicates that this organization may have only one member, Mr. Haywood, mayor of Sparta, so it is not clear whether any actual economic development organization, professional expertise or completed studies behind this project. Based on the information provided so far in several testimonies, no proof has been presented to show actual economic benefits for the county and community (other than a basic incremental increase in tax revenue).

Another quality of economic development projects is that they are usually designed with the support of the communities they are supposed to benefit. There is almost always a public feedback component to these projects. This does not mean forcing the community to legally fight the project with a day in court, but proving that a public feedback process is performed as part of the project's due diligence before proceeding with any options. Usually multiple scenarios are developed and presented and the public feedback is a factor in determining which option is chosen – the most benefits with the least harm, treating harm to individuals in the community and their properties as harm. It is possible in many of these circumstances that the lowest cost option is not the harm-minimizing option. This public process is another Trade-off for access to public funds with no future fiscal responsibility to justify the funds. The County Board of Commissioners who Mr. Haywood testifies asked him to be the Executive Director of SHDA is not on record as supporting this project specifically because of the community's opposition to it.

There also seem to be questions as to whom this project benefits. Obviously, any increased business and revenue within the County is beneficial in tax revenue. However, this is rarely the only or main benefit for a project of this scale and physical impact. SRC and Heidelberg claim that the project will add numerous jobs, but many of the jobs for these operations (indeed all of the jobs from SRC) would be handled by existing personnel who live in other counties. This would also likely be the case for any increased spending from the new business brings since its headquarters is in Sandersville. Interviews with residents claimed that most of the workers at the quarry were not residents of Hancock County. Unless the new jobs created are for residents of Hancock County, then it isn't really economic development for the county or city.

These economic benefits claimed by the project have simply not been proved based on the information provided to date.

Q: ARE THERE OTHER PROBLEMS WITH THE RAILROAD'S ANALYSIS OF

THE BENEFITS OF THIS PROJECT?

A: Yes. One example is its discussion of the current unemployment rate in Hancock County. It's true that Hancock County has one of the lowest per capita incomes related to other counties and businesses have been closing over the last several decades. Although a large portion of residents within Hancock County are not employed, this is not an unemployment figure. Over 25% of Hancock County residents are over the retirement age of 65 and live in Sparta because they have retired there to live away from heavy industry. Numbers are being thrown around to create an impression of grand economic development and opportunity for everyone in the County, but it is important to examine those numbers to see how they are really benefitting those impacted or whether they are just a clever spin.

<u>REASONABLE ALTERNATIVES TO SANDERSVILLE'S PLANS EXIST</u>

Q: ARE THERE OTHER OPTIONS HANCOCK COUNTY COULD CONSIDER TO ENCOURAGE GROWTH?

A: Yes. The county might look at other options for economic development such as capitalizing on the historical and environmental aspects of the county as a retreat or tourist locale. In addition, it could encourage commercial development along the existing I-15 and I-16 corridors versus pushing through a brand new and unnecessary right of way. There are numerous avenues toward economic development that do not take people's private property because someone else wants it or doesn't appreciate how they use it.

The county would get the tax benefits of the quarry expanding whether the rail spur is constructed or not if Heidelberg uses the transloading option. Heidelberg would also still add the jobs it has noted, whether those are Hancock County residents or not. However, there would be no property condemnations and it would save at least $20 million in costs being paid by someone else,

possibly taxpayers if the project is paid for with public funding. The current local markets served by Heidelberg with trucks would continue, with no trucks being removed from existing roadways, and the transload option for Heidelberg adds only seven daily trucks to the roadways.

Since Georgia does not allow condemnation for economic development purposes, this project must present a clear and present (not many years down the line) need for this property for more than one customer. This has not been done to date. For any funding partners in this project, as presented to the courts so far, the project is not feasible itself and would not produce any rate of return for decades. Although much information has been requested to answer questions and resolve many of the assumptions that had to be made with this report, it is doubtful that enough traffic can be produced within the foreseeable future to justify the project or the rates CSX would charge to operate on the branch line. There seems to be much talk of "other shippers on the line" and future development "on the line." And yet, there are no other shippers on it without substantial additional unjustified capital. Just because a railroad starts up hoping to draw more industries does not mean the serving Class I CSX will not charge high (uncompetitive) rates to move it. Unless there are plans to continue taking property as "needed" and try to connect this new line to another railroad to gain NS and CSX access, which would cause competition alarms with Norfolk Southern and the STB, and is also not the purpose presented to the courts for these condemnations, then most of the testimonies regarding future possible traffic, future speculative facilities, hopes for economic development, etc. are simply wishes and misinformed about where the actual proposed line is located and how it connects to the national rail system.

Q. DOES HEIDELBERG HAVE FEASIBLE ALTERNATIVES TO THE PROPOSED NEW RAILROAD?

A. Yes. The least-impact alternative for Heidelberg to utilize rail and still reach CSX markets would be to simply construct an aggregate transload on the CSX mainline. A transload facility is set

up to transfer the aggregates from one mode to another, which in this case would be set up to quickly transfer the aggregates from trucks to the unit train railcars. These tracks could be constructed on the north side of the CSX tracks and would simply need two tracks—one for pick up of the loaded train and one for set out of empty cars. Heidelberg can truck the aggregates on existing roads for five miles with minimal improvements and load the railcars exactly as it would within its facility. It would only require about 6-8 trucks to handle the 1,000 tons per day, or up to 64 truckloads total. This would be a fraction of the capital costs required for the new rail line, and remove the additional factor of a short line railroad rate into Heidelberg's transportation costs, possible allowing them to actually compete with the larger quarries on CSX direct railroad route.

A transload could also be set up at the same location for miscellaneous customers if that traffic becomes substantiated. Again, if set up right on the CSX main line on the CSX side of Highway 16, the capital costs are immensely reduced and likely feasible. The total costs to the shippers using this transload would be much lower than running through another whole railroad to reach CSX. This option could also be constructed quickly and with minimal impact to the community or other property owners.

SANDERSVILLE'S PLAN IS NOT ECONOMICALLY FEASIBLE

Q. WHAT DOES IT MEAN FOR A RAILROAD TO BE ECONOMICALLY FEASIBLE?

A. At a minimum, the revenue or savings must recover the capital costs. Feasibility is determined by the cash flow after operating costs for capital cost recovery. A short-line railroad normally recovers its initial capital costs in 5-10 years.

Q. IS SANDERSVILLE'S PLAN TO BUILD AND OPERATE THE "HANSON SPUR" ECONOMICALLY FEASIBLE?

A. No. Attached as Exhibit 3 is an analysis examining the costs, traffic, and feasibility of the operations suggested in this project, as well as the alternatives. These are studies that should have been performed by Sandersville itself, but as it admitted in its response to the Hearing Officer's Data Requests, Sandersville has performed no feasibility analysis. My study is based on very limited information from Sandersville and should be updated once (if) more detailed information is provided. However, they amply illustrate the concerns with Sandersville's plans at this time.

The lack of information provided, or possibly even developed to this point, shows that this project should not have been pushed this far yet. It makes no sense that Sandersville Railroad would operate this line without a profit. Even the $7.4 million that Sandersville Railroad says it will fund itself would not be recuperated in over 20 years, let alone the full costs of the project of over $20 million. A chart of the railroad's projected recovery of costs is attached as Exhibit 4.

In addition, whoever is financing the project other than Sandersville will expect a return on their investment. If the project is to be funded by public funding, the funding agency will expect the project to be feasible. Again, I have never seen a project of this size without a feasibility study to support it. The project has either not been studied enough to ensure it is sustainable and worth the investment (and initial impact to the community) or the relevant details have been withheld to attempt to push the project through without proper vetting. Until the details requested have been provided and a thorough feasibility analysis performed, this project should not be pursued as it could potentially be a constant drain on community, county, and state resources.

The project proposed by Sandersville in its direct testimony is not feasible and would take decades to recover its costs. No sensible person, investor, or funding agency would spend this kind of money on a project that can only guarantee less than $500,000 in annual revenues. The feasibility analysis, which is missing key data requested from Sandersville Railroad and attorneys, shows that with current information provided, the project does not pan out.

SANDERSVILLE'S PLAN DOES NOT MEET THE STATUTORY STANDARDS FOR THE USE OF EMINENT DOMAIN IN GEORGIA

Q. WHAT IS YOUR UNDERSTANDING OF THE STATUTORY REQUIREMENTS FOR THE USE OF EMINENT DOMAIN IN GEORGIA?

A. I understand that railroads may use eminent domain:

(1) To reconstruct its lines or tracks, to build one or more additional main tracks, to relocate any line or portions of a line, and to build, as a substitute for trestles, embankments upon which tracks may be laid or to widen cuts where necessary for proper construction or maintenance;

(2) For obtaining gravel and other material, to take as much land as may be necessary for the purpose of construction, operation, and maintenance of such road;

(3) To cut any trees that may be in any danger of falling on the tracks or obstructing the right of way, making compensation therefor as provided by law;

(4) To build and maintain such additional depots, tracks, and terminal facilities as may be necessary for the proper accommodation of the business of the company; and

(5) To construct, maintain, and operate tracks for the purpose of connecting two or more lines of railroad operated by the same company not more than ten miles apart.

That comes from O.C.G.A. § 46-8-120. Only O.C.G.A. § 46-8-120(4) is relevant here: "to build and maintain such additional depots, tracks, and terminal facilities as may be necessary for the proper accommodation of the business of the company."

Q. DOES SANDERSVILLE'S PLAN SATISFY O.C.G.A. § 46-8-120(4)'S REQUIREMENT OF BUILDING AND MAINTAINING ADDITIONAL TRACKS AS MAY BE NECESSARY FOR THE PROPER ACCOMMODATION OF THE BUSINESS OF THE COMPANY?

A. No. Sandersville's proposed 4.5-mile short line railroad connecting the Hanson Quarry with the CSX line is not "necessary for the proper accommodation" of Sandersville's "business." The benefits promised by Sandersville are illusory. Reasonable alternatives exist, and the project is not financially feasible. Pursuing the so-called "Hanson Spur" would harm Sandersville itself and the surrounding community. A project that harms the business itself and its neighbors is certainly not "necessary for the proper accommodation" of that business.

Q. DOES THIS CONCLUDE YOUR TESTIMONY?

A. Yes; however, this report contains my findings and conclusions to date based on information provided and developed so far. Therefore, I reserve the right to amend or supplement this report if new information becomes available.

CERTIFICATE OF SERVICE

I hereby certify that on this 25th day of August, 2023, a copy of the foregoing *Pre-Filed Responsive Testimony of Gary Hunter* has been served via electronic mail and U.S. First-Class Mail on the following pursuant to GA. COMP. R. & REGS. 515-16-16-.02; 515-2-1-.04(4)(b), (3):

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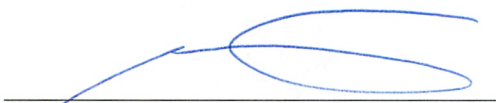
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EXHIBIT 3

Feasibility Study

New Railroad Sparta, GA, 4.5 Miles





August 14, 2023

Prepared By:

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Table of Contents

Executive Summary 3

I. Introduction 6
- A. Background 6
- B. Purpose 8
- C. Methodologies 8

II. Revenues 11
- A. Traffic 11
- B. Heidelberg Aggregates 16
- C. Rates 17

III. Operating Plan and Costs 18

IV. Capital Costs 22
- A. Proposed New Railroad 23
- B. Heidelberg Facility 30

V. Transportation Costing Comparisons 32
- A. Current Truck Costs 32
- B. Railroad Costs 34
- C. Transload on CSX 35
- D. Total Transportation Cost Comparisons 39

VI. Feasibility Analysis 40
- A. Feasibility Tests 40
- B. Economic Development Focus 41

VII. Conclusions, Concerns and Caveats 44
- A. Limitations 44

Appendices

Appendix A: Abbreviations 46

Appendix B: Expert Witness Qualifications

Appendix C: Inspection Photos

Appendix D: 20 Year Feasibility Projection

Also Used: All Documents & Exhibits entered in the Condemnation Proceeding

Executive Summary

This report analyzes the feasibility of a proposed new railroad that could be located near Sparta, GA. As with all railroad projects, it will require substantial capital investment and as with any business venture, the feasibility must be determined to ensure the project is worth the investment.

The project in this study is construction of a new short line railroad located just outside of Sparta, GA. The new railroad would interchange with CSX Railroad on the Camak Subdivision/Branch line. Currently, Vulcan Materials' quarry located 1.5 miles east of Sparta, is the last customer on this branch line. The new railroad would become the last customer by connecting on the west side of the Vulcan quarry. The line would then extend generally southward for about 3.5 miles to the Heidelberg/Hanson Quarry, which would be the main customer to be served. Then the line would cross Shoals Rd., run along the back side of Maggie Reynolds Rd. and terminate along Old Galilee Rd. for another mile, totaling 4.5 miles on the new line.

In order to construct the new line, the right of way land for the 4.5 miles would need to be acquired. The route that SRC has chosen requires acquisition of right of way over 19 properties. Nine of the property owners are opposed to selling their land or having a railroad bisect their properties at all. No other alternatives or alignments were presented or tested for feasibility as far as we know at this point. SRC has elected to begin condemnation proceedings against the nine property owners for this right of way.

Numerous Testimonies have been submitted asserting the need for this new railroad, but when any of the traffic, costs or details are examined, many of the assertions are simply ideas and hopes. Aside from one customer, Heidelberg Aggregates, there has been no analysis to back up costs, traffic numbers or an operating plan for this railroad. There appears to be a clever spin of the language to imply need and economic development impact, although railroads do not hold authority to condemn property in Georgia for economic development purposes.

The overall result of this Feasibility Study, based on extremely limited data provided or developed so far, is that the project is not feasible.

Essentially, the project owners estimated the capital costs at only $7.4 million, when they are actually over $20 million. This does not even count an additional $6.2 million for Heidelberg infrastructure in its facility for the project to work.

The project owner did not account for numerous extremely sensitive items that would be required, including connecting interchange tracks, highway roadway crossings/bridges and support tracks.

Cost Component	Cost
Main Line track 4.5 miles	$ 11,049,280.00
Highway 16 Crossing	$ 2,000,000.00
CSX Interchange Tracks	$ 3,610,000.00
Two Rail Bridges	$ 214,000.00
At-Grade Crossings	$ 231,441.00
Train Building Yard	$ 2,953,800.00
Land Acquisition	$ 568,561.00
Total Estimated Capital Costs:	**$ 20,627,082.00**

Most of the traffic and customers presented for this line have no way of shipping direct rail on the line. The only customer with traffic developed enough to responsibly count toward the feasibility of this line is Heidelberg with 400,000 tons annually. Based on a single weekly unit trains as presented by the project owner, this equates to a 67-car unit train each week. No other traffic is viable or developed enough to count.

Based on this traffic and the maximum rates the new railroad would be able to charge, it can in no way recuperate the capital costs of this project. Analysis showed that even after 20 years, the project would not be half way paid for.

SRC Sparta Operation Projection	Year 2024	Year 2025	Year 2026	Year 2027	Year 2028	Year 2044
PROJECTED CARLOADS:	3484	3484	3484	3484	3484	3484
AVERAGE REVENUE PER CARLOAD:	$ 124.00	$ 128.96	$ 134.12	$ 139.48	$ 145.06	$ 271.70
OPERATING REVENUES						
TOTAL OPERATING REVENUES	$ 432,016	$ 449,297	$ 467,269	$ 485,959	$ 505,398	$ 946,600
OPERATING EXPENSES						
MAINTENANCE OF WAY	$ 36,000	$ 37,440	$ 38,938	$ 40,495	$ 42,115	$ 78,880
MAINTENANCE OF EQUIPMENT	$ 40,000	$ 41,600	$ 43,264	$ 44,995	$ 46,794	$ 87,645
TRANSPORTATION	$ 138,222	$ 143,751	$ 149,501	$ 155,481	$ 161,700	$ 302,861
GENERAL AND ADMINISTRATIVE	$ 37,500	$ 39,000	$ 40,560	$ 42,182	$ 43,870	$ 82,167
OPERATING EXPENSES BEFORE D & A	$ 251,722	$ 261,791	$ 272,263	$ 283,153	$ 294,479	$ 551,554
EBITDA	$ 180,294	$ 187,506	$ 195,006	$ 202,806	$ 210,918	$ 395,046
OPERATING MARGIN	42%	42%	42%	42%	42%	42%
OPERATING RATIO	58.3%	58.3%	58.3%	58.3%	58.3%	58.3%
COST PER CAR	72.25	75.14	78.15	81.27	84.52	158.31
COST PER TON	$ 0.63	$ 0.66	$ 0.69	$ 0.71	$ 0.74	$ 1.39
RATE PER TON	$ 1.09	$ 1.13	$ 1.18	$ 1.22	$ 1.27	$ 2.38

The transload option was developed to show for $1.5 million less in capital costs to Heidelberg, it can ship its aggregate cheaper on a CSX Direct transload.

Mode(s)	Truck/ Transload Cost	Railroad 1 Cost	Railroad 2 Cost	Total Rate per ton
Truck entire route	$ 24.88			$ 24.88
Direct Rail using New RR + CSX charging maximum to recuperate capital costs		$ 1.09	$ 9.59	$ 10.68
Truck to Transload+CSX Direct	$ 1.09		$ 9.59	$ 10.68

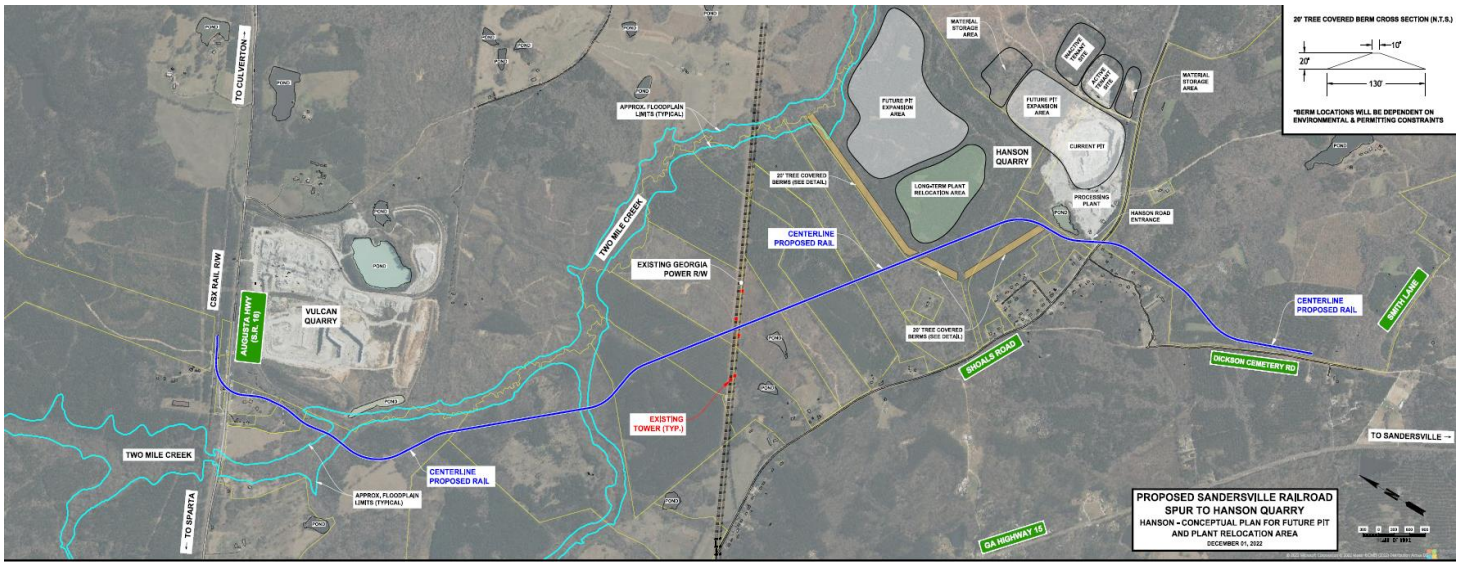
Essentially, this project has not been developed far enough to spend any capital or engage in any adverse actions. Until such analysis has been done, it is only a wish. The project as presented is not feasible and there are several alternatives that maintain the public need aspect assumed by the project.

Introduction

This report analyzes the feasibility of a proposed new railroad that could be located near Sparta, GA. As with all railroad projects, it will require substantial capital investment and as with any business venture, the feasibility must be determined to ensure the project is worth the investment.

Background

The project in this study is construction of a new short line railroad located just outside of Sparta, GA. The new railroad would interchange with CSX Railroad on the Camak Subdivision/Branch line. Currently, Vulcan Materials' quarry located 1.5 miles east of Sparta, is the last customer on this branch line. The new railroad would become the last customer by connecting on the west side of the Vulcan quarry. The line would then extend generally southward for about 3.5 miles to the Heidelberg/Hanson Quarry, which would be the main customer to be served. Then the line would cross Shoals Rd., run along the back side of Maggie Reynolds Rd. and terminate along Old Galilee Rd. for another mile, totaling 4.5 miles on the new line.



The Sandersville Railroad Company (SRC) is the railroad planning to construct and operate the new line. SRC currently owns and operates a short line railroad located in Sandersville, GA, about 20 miles south of Sparta. SRC serves numerous customers on 10 miles of mainline track plus 25 miles of support tracks within a 5 mile radius of the city center of Sandersville, interchanging with Norfolk Southern Railway (NS) at Tennille, GA.

SRC estimates the capital costs for constructing the new railroad would be $7.4 million. SRC would obtain operating authority from the U.S. Surface Transportation Board (STB) and operate as a Rule 11 railroad interchanging with CSX. Therefore, it is important to identify this track as a new short line railroad, not an industrial rail spur, which would be a track branching off an existing railroad. For this to be an industrial rail spur, CSX would need to be the party constructing the track. No information has been provided to date regarding CSX's involvement or position on this project. As far as we know at this time, CSX, who would be the connecting Class I carrier, is not a party to this new project and has had no dealings with Heidelberg or any other customers who could possibly use the new railroad. SRC currently operates no track connected to this proposed new railroad. If completed, the closest point on the new railroad would be separated from the closest point on the existing SRC by approximately 15 miles.

The main purpose of the new railroad would be to connect the Heidelberg Quarry to the CSX Branch line. The quarry sits about 3 miles off the CSX line and does not have direct rail access at this time. Heidelberg currently sells 250,000-350,000 tons of aggregates annually to local markets served by trucks. It asserts that it has the capacity to produce up to 700,000 tons of aggregate annually if it could reach other markets available by rail. Heidelberg has said that it will spend an additional $6 million in capital costs within its own facility to support the railroad operations if this project proceeds.

In order to construct the new line, the right of way land for the 4.5 miles would need to be acquired. The route that SRC has chosen requires acquisition of right of way over 19 properties. Nine of the property owners are opposed to selling their land or having a railroad bisect their properties at all. No other alternatives or alignments were presented or tested for feasibility as far as we know at this point. SRC has elected to begin condemnation proceedings against the nine property owners for this right of way.

Railroads are considered a public utility even though they are privately owned. They have common carrier obligation to serve customers and are regulated at the federal level to maintain safety, engineering standards, and competitiveness. Railroads hold the power of condemnation to take property if it is necessary to protect the public good and maintain efficient rail operations, but each state has different rules for when condemnation may be employed. The state of Georgia allows a railroad to condemn property under very specific circumstances, usually only to maintain or improve its own track for safety or efficiency.

Railroad Industries Incorporated (RII) has been consulting in the rail industry for over 40 years. RII has been tasked to develop this complex feasibility study due to its extensive experience with short line railroad development and costing, rail and truck transportation costing and understanding of standards of practice within the railroad industry.

Purpose

This study is developed as a Feasibility Study, which is specifically an assessment of how the financial aspects of the project pan out. Normally, any project involving condemnation would be a public project requiring a Cost Benefits Analysis instead (or in addition), which would also weigh in non-financial costs such as historical and cultural resources impact, community impacts and feedback, environmental impacts and mitigation methods and alternatives to assuage these concerns. The final selection might not be the least cost option when all factors are considered. However, at this time, the project is being treated as a private railroad condemnation, so a Feasibility Study analyzing costs and revenue for the specific alignment being pursued will be the focus.

Feasibility determines whether the costs of the project are covered by the revenue to be generated and if it will be profitable for the railroad. No one would expend millions of dollars in capital on a private venture without an expectation that the costs would be recovered and the investment would become profitable within a reasonable amount of time. In addition, public funds and condemnation are not usually granted if the project cannot be proven to actually show the public benefits, which in this case is a stable rail operation.

RII has not been provided yet with how the project is being funded. SRC could be funding the entire operation with private equity; or it could have other private investors enlisted, including possibly a private lender or bank; or it could be funding all or part of the project with public funding. Any private investors would require a return on their investment after a short period. This means that the railroad would have to operate profitably enough to cover the capital costs and yield enough for an internal rate of return of at least 10-20%.

Lastly, we will include with this Feasibility Study the feasibility and alternatives for Heidelberg. If Heidelberg spends $6 million in capital costs, it would need to sell enough additional aggregate by rail with enough profit remaining to cover the capital costs and a return on the investment. For this analysis, we have also compared the costs for several shipping alternatives for Heidelberg.

Methodologies

Railroad profitability is determined similarly to any business where revenues minus expenses equal profit. However, the costs of railroad operations are unique, and RII uses a proprietary short line costing model to project costs for prospective short line operations. Operating costs include locomotives and rolling stock to be used, track and equipment maintenance, fuel usage, railroad personnel including salaries and specialized railroad benefits for both operational and administrative personnel, and other specialized administrative expenses such as railroad insurance.

Railroad revenues are generally based specifically on carloads rather than straight dollars so that projections can be made based on volumes and changes in traffic for each industry shipping on the railroad. A rate would typically be chosen for each car that covers operational costs and pays for any capital costs by a certain time with an expected rate of return. Once modeled out, the standard revenue minus expenses equals profit generally applies.

All revenues have been developed by RII based on the documents and testimonies presented by SRC to date. Only traffic that is developed enough to project carloads is included. Very little information has been provided for any potential customers other than Heidelberg. If additional verifiable information is provided at a later date, the revenue figures can be amended. Rates have been selected to produce the maximum profit for the railroad to cover all costs and remain just under the shipper's costs for using another mode.

All operational costs for the short line railroad are collected and updated by RII for each project from standard indices, active rail equipment brokers, current railroad construction documents, etc. The costs are incrementally applied in the model based on track mileage, number of carloads, hours of operation, etc.

To determine return on investment or how long a capital cost will take to be recovered, the profits are modeled against the capital costs for a specific number of years. For public funding or public economic development projects, sometimes the internal rate of return can be 0 and the number of years expected to recover the costs can be as many as ten years. However, any private funding will usually require a greater return and a shorter time period, sometimes as few as three years to cover the capital costs and begin earning a lucrative return. Rates can be altered to increase the profit, rate of return, and speed of capital cost recovery, but they must always cover the operational costs of the railroad and they cannot go above what the shipper can tolerate and remain profitable. Without meeting these criteria, the operation is unstable and the project is not feasible.

All capital costs for the railroad have been developed using public indices, current construction data, bridge standards, CSX and GADOT requirements for construction, etc. RII developed our own capital costs for the new line since the figure presented by SRC seemed too low. The average cost per mile for constructing new main line railroad with no special issues today is a minimum of $2 million per mile. This should make the new 4.5 mile line cost at least $9 million at first glance. Plus, there are several bridges, crossings, and support tracks that would be needed. RII was able to inspect the CSX Camak Branch line from Sparta to Camak and the alignment where the new railroad line is proposed to be located. This allowed RII to establish the condition of the branch line for handling additional unit trains as well as capital costs likely for crossings, interchanges, and bridges. RII was also able to inspect property owners' parcels and interview some property owners for additional details on locations and schedule of project processes.

Inspection photos are attached to this report as Appendix C. Based on what RII witnessed and the capital costs provided by SRC to date, RII has developed the capital costs separately, since all capital costs for the project must be recuperated regardless of who is paying for them or constructing them.

Lastly, RII has costed Heidelberg's current aggregate shipments by truck to compare against what its rail rates would be using the new short line operated by SRC. Any shippers on the line would have to pay the rate for the new short line railroad as well as CSX's line haul rate. Therefore, this combined rail rate must be lower than what Heidelberg could ship by truck. All truck and rail costs come from public information or published indices and CSX rail costs are derived from the 2% waybill sample-Uniform Rail Costing System (URCS). These costs have been modeled against Heidelberg's planned capital costs to test the feasibility of its capital expenditures planned for this project and to measure its potential rate of return. In addition, alternative modes and routes have been suggested with accompanied capital and transportation costs.



Revenues

Revenue expectations are the most important factor for feasibility, and therefore, should be the most scrutinized. The expected revenue is what will ensure operating and capital costs are covered. There also must be enough revenue to make a private venture profitable and provide the expected rate of return for the financers.

The main driver for railroad revenues is carloads. Carload traffic is the bread and butter for railroads and is monitored carefully since railroads do not actually control the carloads they get to ship. They are essentially dependent upon what shippers send to them, shippers' marketing efforts for their own products, and the volatility of the commodities they ship. Railroads can help stimulate traffic growth by having excellent rail service that is flexible and efficient, encouraging shippers to ship more by rail versus other modes. However, this also requires that railroads maintain competitive rates with the other modes, which can often keep short line railroads' margins low.

Traffic

One of the key downfalls of railroad projects is overestimating the traffic for the line. The expected traffic drives the operating plan and the infrastructure needs in a cost intensive environment so it is crucial to plan for the expected traffic carefully. Railroading is not a "build it and they will come" industry. The capital costs of infrastructure and equipment alone require the risk be justified with guaranteed traffic, let alone the investments in qualified personnel, real estate impact and liabilities for heavy industrial rail operations. Many an intended economic development focused rail facility sits dormant today because it was developed upon the wish for traffic to materialize organically. Rail traffic does not happen that way. Each traffic lane must be specifically developed with all of the pieces in place, including loading, volumes, specialized equipment for each material, end markets and their unload capabilities, any special or multimodal handling along the way, and all of the associated costs to consider traffic secured for a rail operation.

For new operations, whether that is a spur on an existing railroad or a brand new railroad like this one, traffic is already speculative. Optimistic speculative traffic and revenue projections are fine to decide if a particular line of traffic is worth examining further, but that would be a preliminary, very high level guess at traffic and revenues only. For traffic to justify actually spending capital and entertaining adverse actions, it must be committed to by all parties involved in the shipments.

There are numerous steps along the way to ensure the traffic will actually move by rail and contribute to its revenues. Common questions that affect whether traffic materializes for a railroad include the following:

1) What customers and commodities can even ship by rail
2) What markets are they trying to reach
3) What are their comparative costs to ship via another line or another mode
4) What capital costs would be needed to allow the traffic to move by rail
5) What percent of shipper's traffic is likely to move by rail
6) What percent of shipper's traffic could move by another railroad
7) What percent of demand in market is shipper likely to get versus competition
8) Are end markets able to receive rail or spend capital costs to receive rail
9) What rail carloads will shipper commit to in order to justify the railroad's efforts and substantial costs in establishing a rail lane
10) What is the shipper's facility capacity which dictates maximum volumes

Only once the traffic figures are reliable can one begin to look at their revenues. RII is often involved in vetting new rail opportunities for new projects, railroad acquisitions, valuations, and feasibility studies. Speculative traffic is always treated cautiously. The following model is actually used in these analyses to vett new traffic opportunities for inclusion or not in actual revenue projections:

	New Traffic Opportunity Pipeline				
	Stage 1	**Stage 2**	**Stage 3**	**Stage 4**	**Stage 5**
Criteria/ Steps	Ideas for new Traffic	Discussions with Parties	Any Contracts, $ spent, approvals secured	Tentative Schedule of traffic rollout by year	All Contracts & Commitments secured
	Assumed cause & effect growth	Ballpark traffic estimates	Ballpark estimates & schedule ok	Traffic est. w/ logistics/lanes/end markets confirmed	Committed Traffic and roll out schedule known
	Conceptual planning for new traffic	No Commitments, schedule, approvals yet	General operating plan made to handle traffic	Analysis for operating costs/ potential rates	Operating plan & Rates set
	General end markets	Capital Costs at least identified	Cap. Costs estimated w/ yentative schedule	Any Construction started/schedule/ acquisitions made	Any Construction near completion on schedule
Revenue Inclusion	**Cannot incl, in Revenue**	**Cannot include in Revenue**	**Can add to Revenue at 10-20% of traffic estimates**	**Can add to Revenue at 25-50% of traffic estimates**	**Can add to Revenue at 60-80% of traffic estimates**

There is an infinite array of possibilities that can derail or delay a planned project, from approvals and funding within any of the companies involved, changes in markets and the economy, construction and logistics issues, and legal and regulatory issues. These stages and steps toward ensuring traffic materializes protects railroads and their investors from substantial risk.

Many shippers misunderstand their "NEED" for rail transportation. Because rail transportation is ultimately a very cost intensive operation, it takes detailed planning to ensure a rail shipment will be economical, both for the railroad and the shipper. Rail shipping can be much more cost effective than trucking only if sufficient volumes are being shipped to maximize the weight by railcar and if the material is being shipped sufficient distances to compete with truck. Then the transportation savings must be enough to compete with other shippers to those markets. Each unique end user must have direct rail access as well, or trucking and transloading costs must be added. Then each lane has to consider how many railroads are in the routing to reach that market, including short line railroads. The more railroads in the route, the higher the costs. Once all of these tests are performed, many shippers find that rail is not the magic answer to provide access to far away new markets. Each lane – shipper to prospective customer – is a unique costing exercise to ensure it will be economical before wasting money on a losing venture.

SRC claims that five shippers will utilize the new line. However, only Heidelberg Aggregates has committed to traffic volumes and supporting information enough to count partially in the revenues for this line.

Southern Chips, LLC: This is a wood chip facility that produces chips for pulp and paper mills. It is located in Sandersville, GA, 20 miles south of Sparta. It currently ships by rail using the existing Sandersville Railroad located in Sandersville, interchanging traffic only with Norfolk Southern Railroad. SRC is also the owner of Southern Chips, LLC as the single member of its single-member LLC.

Southern Chips seems to have a misunderstanding about this rail project. Based on his testimony, Mr. Custer from Southern Chips believes that this new railroad will give him access to CSX, when in fact, the Southern Chips facility will not connect to this new railroad at all. This makes no sense since Mr. Custer is essentially an employee of SRC and should know well where this line is proposed. He has either been misinformed about the project or SRC has plans for this new railroad that it has not shared.

In order to reach the new railroad and CSX connection as proposed, Southern Chips would need to truck its product to Sparta for transloading to the railroad there, adding those costs to whatever the rail rate may be. If Southern Chips wishes to provide and commit to annual volumes that it would truck and transload in Sparta, its traffic could be added to the feasibility analysis. The testimony of Mr. Custer only provided the facility's capacity – not specific traffic that would be shipped via CSX. It does not appear that any market analysis has been done to identify customers for this business to develop the volumes. As it stands, this traffic is simply a desire for "CSX markets."

Veal Farms Transload, LLC and Revive Milling, LLC: We will treat these two companies as the same shipper since they are owned by the same people. Revive Milling is a corn and corn flour mill located in Sandersville on the existing SRC. As with Southern Chips, this facility will have no direct connection to the new railroad, and therefore no direct rail connection to CSX. Mr. Cale testifies himself that: *"Switching between railroads carries a substantial cost charged by railroads that either makes transport by rail uneconomic or drives up the cost of consumer products."(Ex 205199, p.4, line 12)*. This is true and includes short line railroads in the route. If Veal Farms Transload intends to truck for Revive Milling and other customers to the new railroad and transload for them, those costs would be added to the rail rates, driving up costs over customers with direct CSX access.

Mr. Cale has mentioned five commodities specifically for rail shipping, but did not provide any details or volumes for testing the lanes for feasibility. End markets must be identified, their ability and willingness to buy the commodity confirmed, and then volumes committed to include them in the feasibility analysis. These lanes would so need to be costed against straight trucking to ensure the origin end truck+transloading+shortline+CSX rate is actually less expensive.

Pittman Construction: This is a facility located adjacent to the Heidelberg quarry. All of Pittman's asphalt facilities are located near a quarry as the aggregate is used in the production of the asphalt. In many cases, Pittman has its own quarry area at the location for mining limestone aggregate, making it ready with all materials needed for its roadway construction business. Asphalt, concrete, and construction companies usually have an agreement with the quarry owner to operate next to it as a customer, sometimes paying a lease or per ton fee. They have a symbiotic relationship where the business of one generates revenue for the other.

Currently, only one of these quarries, Jefferson, GA, is located on a rail line with direct rail access. This is because usually, aggregates serve local markets and short distances are economical by rail. In order for a quarry to ship aggregates far enough for the rail economics to outshine the costs of trucking, it cannot be competing with local quarries. The quarry must market to the end market, ensure the end market can receive direct rail and develop transportation costs to prove the rail transport is better than other methods. Only when the end markets are secured in this way is it worth it for the quarry to spend capital in order to secure the business.

Pittman Construction Facilities	Adjacent Quarry	Rail Served? / Distance from Rail
Sparta	Heidelberg	3 miles
Oxford	Martin Marietta	1.5 miles
Jefferson	Martin Marietta	Yes
Siloam	Vulcan Materials	7 miles
Buckhead	Vulcan Materials	1.5 miles
Lithonia	Martin Marietta	2.5 miles
Demorest	Heidelberg	4.2 miles
Dillard	Vulcan Materials	27 miles

Sometime aggregates can move shorter distances by rail when there is only one railroad involved, called a local move. The fewer railroads involved in a lane, the lower the costs will be because each railroad must earn a minimum revenue per car factor. Rail shipments of aggregates are a small portion of all aggregates transported and the logistics are unique to every lane.

Pittman testified that it would bring inbound oil for making the asphalt. Oil typically moves in bulk on rail to a terminal facility that holds millions of gallons of oil at a time. Most of the oil is refined on site and the rest is sold to customers and distributed by trucks to the final end markets. Pittman testified that it currently receives its oil from a terminal in Lithonia and trucks to its construction facilities. Based on a rough estimate of .06% heavy crude oil to aggregate formula for asphalt, 1 ton of oil makes 17 tons of asphalt. It takes 284 gallons of heavy crude to make 1 ton. The average modern oil tank car holds 28,000 – 32,000 gallons, equal to about 4 truck tankers. Using the mean capacity, a single 30,000 gallon tank car of crude oil would make 1,796 tons of asphalt. If Pittman had supplied its annual volumes of asphalt produced at the facility, we would be able to estimate the number of oil tank carloads it would bring in. However, no such volumes have been estimated or provided by them.

The volumes would need to be high indeed to justify the $1 – 1.5 million in capital costs for a new oil terminal Pittman says would be needed to bring in the oil. For the construction of this new infrastructure at the Pittman facility, Pittman would need to save enough by moving its oil here by rail from what it is now paying by moving the oil by truck to pay for all of the costs. In addition, a rail spur would be required leading off the new railroad to reach the Pittman facility. The edge of the Pittman facility sits about 2,000 feet from the closest point proposed for the new rail line. Depending upon where the oil terminal would be located on the property and how many cars the facility would need to hold at one time, the required spur could be anywhere from 2,000-5,000 feet of additional rail track, or more depending on load, unload and switching requirements. Oil is also a hazardous material, so additional costs may be involved to set up required safety and environmental features. It would also add a level of certification and safety training required by the railroad to handle haz-mat materials.

If Pittman were able to provide and commit to traffic volumes and provide the breakdown of capital costs for this project along with a roll out schedule for the construction, the actual revenues and feasibility of this traffic could be measured for both the railroad's benefit and Pittman's. However, at this point, the traffic is simply an idea and none of it can be included in the feasibility analysis.

Heidelberg Aggregates

Heidelberg is the only solid source of traffic to justify this project at this time. Heidelberg has estimated traffic volumes based on the capacity of its quarry expansion, so these can at least be estimated as carloads. Heidelberg already ships 250,000-350,000 annual tons by truck to local markets. Out of a capacity of 700,000 tons, this leaves 350,000-450,000 tons available for other markets. By using the mean amount of 400,000 tons annually and using a maximum capacity of 114.5 tons per rail car, this yields 3,494 cars per year or 14 cars per day. This equates to approximately 67 railcars per week for the weekly unit trains.

Heidelberg has identified some local end markets as, although no studies were provided to determine if these markets are conceptual, have been studied, have been secured or if these end markets can receive an entire unit train:

- Savannah, GA – 161 miles, 2.5 hours via truck
- Canadys, SC – 160 miles, 3 hours via truck
- Jacksonville, FL – 280 miles, 4 hours via truck

All of these locations are under 300 miles away, which is usually the minimum distance to look at transporting aggregates by rail more closely. It is just on the threshold of where truck may start to lose out to the bulk efficiencies of rail. However, if these moves use the new railroad, they will not be a CSX direct rate. They will be a two-railroad routing with a cost including CSX's factor as well as whatever the new railroad needs to charge to cover its operating expenses. Competitors for the same markets, like Vulcan, directly on CSX will have the cost advantage of only one railroad in the routing.

Capacity does not equal demand or traffic that will ship, so Heidelberg will need to ensure it has secured its end markets before counting on the traffic for the entire capacity of the quarry. In some cases it may need to wrest market share away from competitors. Revenue projections would usually count only a portion of the estimated traffic since the quarry has not secured the lanes. However, for purposes of this analysis, RII has given the full 400,000 tons of traffic to the analysis. The current 300,000 average tons shipped

Potential Customers	Type	Criteria/Steps	Stage	Included Traffic
Heidelberg Aggregates	Stone aggregates-located on new line	Possible Contracts, Traffic estimated/ committed, cap. Costs estimated-no sched.	3.5	100%**
Pittman Construction	Asphalt production/ Inbound Oil	Discussions; No traffic estimates, some ballpark cap. Costs conceived.	1.5	0%
Southern Chips	Wood Chips for Pulp/Paper	General market access, ideas, no est.	1.0	0%
Revive Milling	Corn/Corn Starch	General market access, ideas, no est.	1.0	0%
Veal Farms Transload	Grains/Other Customers	Disussed; Possible Grains, no traffic est., 1 possible end market, no Cap. Costs,	1.0	0%
** Allowing full traffic estimate for purposes of this Feasibility Study.				

to local markets by truck would continue to do so. The following chart shows how traffic was vetted and considered:

Rates

One way to help with revenues is to manage rates. Railroads have moved away from minimal margins and moved toward market rates since regulation relaxed in 1980. Railroads can increase rates so that revenue to cost ratios (RVC) can be as high as 4.5 on some moves. However, rural short line railroads rarely get to enjoy these high rates because they must ensure their own rate plus the Class I railroad with whom they connect remain tolerable to their customers. Short line railroads work more closely with shippers and can be more flexible, but they still need to cover their own operating costs and remain competitive with truck, which leaves a narrow margin much of the time.

However, rates for a short line railroad usually require modeling the operating plan costs to determine the minimum rate to charge. Then the shipper's cost to ship by another means would be the maximum rate for the short line. The short line knows what room it has for lowering rates to secure traffic by allowing the shipper to secure additional traffic lanes (customer contracts from end markets) or increase rates to cover capital costs and required margins.

Based on the information provided in the testimonies and presentation by SRC, we have modeled the costs for the operating plan on the new line in the Chapter called Operating Costs. The minimum rate per car this new railroad would be able to charge Heidelberg would be its cost per carload, which is $72.26 or $0.63 per ton, which would be a $0 profit, 0% margin and 0.00 RVC. The maximum rate would be what Heidelberg could get moving by another mode, and the cheapest developed in the Transportation Costs Chapter was using transload for a total cost of $109 per ton, or a rail rate of $124 per car. This would be only a 1.7 RVC. A survey of existing rail rates for moving aggregates (bulk non-metallic minerals except fuels) from CSX and NS public tariffs shows the average RVC to be 2.74.

As a note, the entire unit train must move to a single end market to achieve these rates. If Heidelberg ships its entire capacity to one location, the other markets are a moot point. The end market must be able to receive and unload the entire unit train, or Heidelberg would need to add in the costs of storage and truck distribution.

Operating Plan and Costs

This section develops the costs to operate and maintain the line to handle the expected traffic based on the operating plan SRC has described in its presentation. The operating plan was not detailed, but gave enough information for RII to make assumptions about how trains are being built, daily operations, etc. Since specific details have not been provided regarding the operating plan yet, RII has developed these costs based on standards within the industry and average rail costs for each component. These costs should be the minimum costs necessary for a safe and efficient operation. Based on SRC's information, there will be a daily trip to Heidelberg for switching the quarry and one weekly trip to the CSX interchange to pick up and set out completed unit trains.

This operating plan will require the following:

- Two half time Engineer/Conductor personnel
- Two Locomotives
- Two 3,600 ft. tracks in the yard located near the end of the line for interchange and a minimum of 3,300 feet of track within the Quarry. This is enough track for sixteen 45 ft. open top bottom dump aggregate rail cars that will hold approximately 114.5 tons each, or a total of 1,832 tons, and the lead track from the proposed line to the possible loading location. The capital costs for construction of these tracks are explained in more detail in the next Chapter, Capital Costs.
- Heidelberg has stated they have enough rail cars for this operation already in their system so no costs other than car maintenance have been considered. However, Heidelberg's aggregate rail cars could have different configurations than the standard cars we used for calculations, which could affect how many feet of track will be needed within the quarry, train building yard, and the CSX interchange tracks.
- For daily operations that will occur 5 days a week, 16 empty cars will be delivered to Heidelberg for loading and will be picked up each day to be taken to the train building yard.
- The 5th operation day will add a trip to carry the loaded unit train from the train building yard to the CSX interchange track used for loaded cars and where CSX will have dropped off empty cars on the designated empty track.
- These empty cars will need to be picked up from the interchange and taken to the train building yard at the end of the line.
- Actual turn times for rail cars will depend on the target destination and CSXs' operating plan agreed upon with SRC. This will require at least 160 rail cars dedicated to this operation.
- A minimum of two 3,600 ft. sidings are needed to store empty rail cars and to build the unit train. One track is for daily loaded car blocks and the other track is for pulling empty cars to be set out for Heidelberg each day. Capital Costs for the train building yard are detailed in the next Chapter.

There are four main categories of railroad operating expenses, Maintenance of Way, Maintenance of Equipment, Transportation, and General & Administrative. Payroll is generally assigned to the appropriate category or combined into a fifth category. For this operation projection, Payroll expenses will be included in the Transportation category.

Maintenance of Way: An industry average of $8,000 per mile was assumed to maintain the total estimated feet of 38,160 for all track in this operation handling these traffic volumes and unit trains, or 7.23 miles. Actual Maintenance of Way expense is unique to each railroad operation and depends on the condition, age, terrain, environmental factors, and actual operations on the line. The estimated annual cost for maintenance of way in this operation is $57,840.

Maintenance of Equipment: SRC owns 5 locomotives and is likely in a position to dedicate 2 locomotives to this operation without additional acquisitions. However, even if SRC owns these locomotives, there are periodic inspections, oil, lube, and other maintenance costs associated with maintaining this equipment to keep it in safe and compliant operating condition. Depending on the model, purpose, age, and condition of the locomotive, these costs will vary. RII assumed the use of GP-38 or similar locomotives which are the most common locomotive type with short line railroads. If SRC provides operating plan details with different locomotives, it could affect the costs. With the assumptions for this analysis, the estimated annual cost for maintenance of equipment is $40,000.

Transportation: SRC has stated they intend to use existing personnel to operate the line. We are assuming this will include at a minimum one Locomotive Engineer and one Conductor for this operation. The Bureau of Labor Statistics Locomotive Engineer average salary for 2021 (the most recent year with available data for Georgia) is $76,320. Railroad Conductor Salary for 2021 is listed as $72,790 per year. Since this is a small operation that does not require full time attention, we are assuming SRC will utilize these two employees at least 50% for an annual cost estimate of $105,868, including benefits. Railroad Benefits are calculated at an estimated 42% of salary, based on experience with other rail operations. SRC's costs could be slightly lower if it pays its employees below the state average for this positions or provides fewer benefits; however, no information was provided to the contrary, so the averages were used for this analysis.

Actual fuel consumption varies with the type of locomotive used in the operation and changes in the terrain of the line. We are using an average locomotive fuel consumption per hour to estimate annual fuel cost for this operation. The current Weekly Retail Diesel pricing is taken directly from the U.S. Energy Information Administration website for the Lower Atlantic Petroleum Administration for Defense District 1C that includes Georgia prices. For the week of July 31, 2023, this price was $4.10 per gallon. Using this factor and estimating the distance and hours the locomotive will be in use, the annual estimated fuel cost is $29,848. The total annual Transportation expenses including personnel and fuel is estimated to be $135,716.

General & Administrative: It is assumed that most of these expenses would be covered by existing personnel within SRC's organization. However, this new railroad would likely require its own form of operating liability insurance protection, or at least additional coverage on SRC's existing policy for the new line and added risks of the unit train aggregate operations and additional interchanges. An estimate based on experience with other rail operations of varying size and scope for this coverage is $15,000 to $60,000 per year. We have used the mean amount of $37,500 for annual insurance for this operation. Actual cost would be unique to each operation and depends on the company that underwrites the policy and limits decided upon by the railroad.

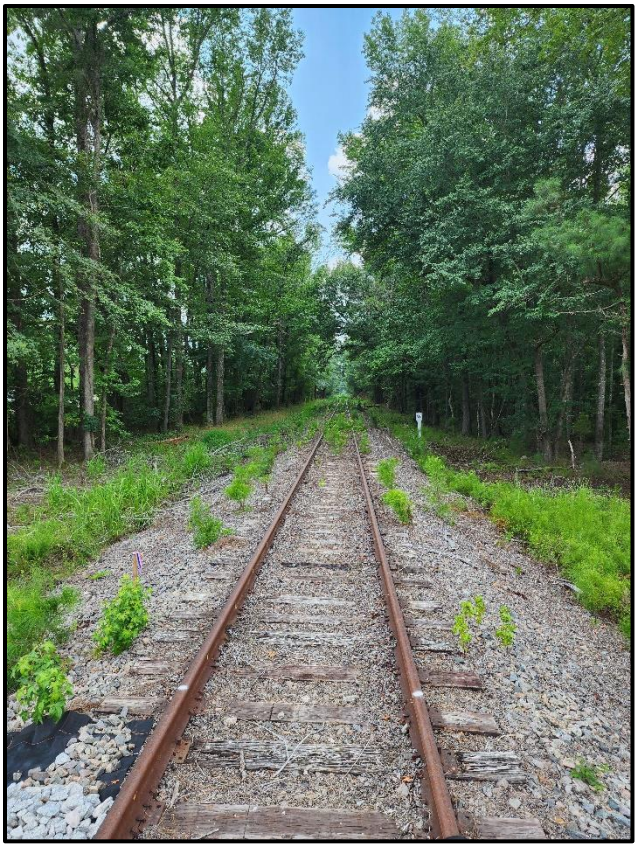
Based on these costs, the new railroad would need to charge a minimum $72.25 per car, or $0.63 per ton, just to operate.

SRC Sparta Operation Costs		
	Year 1	
PROJECTED CARLOADS:	3484	
OPERATING EXPENSES		
MAINTENANCE OF WAY	$	36,000
MAINTENANCE OF EQUIPMENT	$	40,000
TRANSPORTATION	$	138,222
GENERAL AND ADMINISTRATIVE	$	37,500
OPERATING EXPENSES BEFORE D & A	$	251,722
COST PER CAR	$	72.25
COST PER TON	$	0.63

Based on the comparative mode options in Transportation Costs section, the maximum rate the railroad could charge would be what Heidelberg can get by another mode. The transload options can be handled for $1.09 per ton, or $124 per car (114 tons per car).

Charging the maximum rate, this project does not earn enough profit to cover its own capital costs, let alone pay back any debt or give a rate of return to investors/partners.

SRC Sparta Operation Projection	Year 2024	Year 2025	Year 2026	Year 2027	Year 2028
PROJECTED CARLOADS:	3484	3484	3484	3484	3484
AVERAGE REVENUE PER CARLOAD:	$ 124.00	$ 128.96	$ 134.12	$ 139.48	$ 145.06
OPERATING REVENUES					
TOTAL OPERATING REVENUES	$ 432,016	$ 449,297	$ 467,269	$ 485,959	$ 505,398
OPERATING EXPENSES					
MAINTENANCE OF WAY	$ 36,000	$ 37,440	$ 38,938	$ 40,495	$ 42,115
MAINTENANCE OF EQUIPMENT	$ 40,000	$ 41,600	$ 43,264	$ 44,995	$ 46,794
TRANSPORTATION	$ 138,222	$ 143,751	$ 149,501	$ 155,481	$ 161,700
GENERAL AND ADMINISTRATIVE	$ 37,500	$ 39,000	$ 40,560	$ 42,182	$ 43,870
OPERATING EXPENSES BEFORE D & A	$ 251,722	$ 261,791	$ 272,263	$ 283,153	$ 294,479
EBITDA	$ 180,294	$ 187,506	$ 195,006	$ 202,806	$ 210,918
OPERATING MARGIN	42%	42%	42%	42%	42%
OPERATING RATIO	58.3%	58.3%	58.3%	58.3%	58.3%
COST PER CAR	72.25	75.14	78.15	81.27	84.52
COST PER TON	$ 0.63	$ 0.66	$ 0.69	$ 0.71	$ 0.74
RATE PER TON	$ 1.09	$ 1.13	$ 1.18	$ 1.22	$ 1.27



Capital Costs

Capital costs include any of the initial costs needed to be spent in order to generate the expected revenues on the project. This includes all infrastructure to be constructed to handle the project, all equipment to be installed to handle the project, costs of any security, safety, environmental or quality of life requirements to be installed or constructed, as well as non-tangible costs to start the project like permitting fees, operating authority fees, tariff publication, new engineer certification, etc.

RII developed its own capital cost estimates because the $7.4 million figure presented by SRC seemed too low. The average cost per mile for new railroad track construction in the U.S. at this time with no hydrology or topographical concerns is $2 - $2.5 million. That would make this line a minimum of $9 million without crossings, bridges, support tracks and other requirements. In addition, this area does indeed have wetland areas and hydrology concerns to mitigate, requiring additional culverts, drainage grading, etc. The $7.4 million figure is grossly understated for the actual capital costs needed for this project. It is likely that many of the required features were not included in SRC's estimate.

Therefore, without the detailed specifications provided from SRC on its track design plans, RII feels the actual capital costs will be much higher and has estimated them for ourselves for a more accurate feasibility analysis. If SRC can provide detailed track design specifications or show details on how its costs would be significantly lower, it could affect the feasibility.

It is important to have an accurate capital cost figure because these costs determine feasibility. The project is feasible if the capital costs can be recovered within a reasonable amount of time. Depending upon how the project is financed, where this breakeven point falls may need to be sooner rather than later to start earning a return on investment.

New Railroad Line Construction

Based on the route presented by SRC and its engineer Mr. Teague and testimonies taken to date, the new railroad will require, at a minimum, the following infrastructure to be constructed:

- 23,360 feet of main line track
- Interchange Yard for CSX and the new railroad 7,200 feet of track
- 2 standard low rise 200 foot rail bridges to cross wetland areas over branches of Two Mile Creek
- Separated grade crossing under State Highway 16 in order to connect to CSX
- At-Grade crossings – 1 significant crossing on Shoals Rd. and 5 passive private crossings for property owners
- Support Yard at tail end of line with 7,200 feet of track

Main Line Track: For the rail line itself, we have taken the 4.5 miles exactly as reported by SRC, which is 23,760 feet. This footage will be reduced by 400 ft. to account for the two rail bridges of 200 feet each that will need to be built to carry the train safely over branches of Two Mile Creek. Bridge costs are developed separately below. For the capital costs for the main line track construction, RII estimated on the higher end of the average range for per mile construction since there are hydrology issues, possibly requiring more culverts and other drainage mitigations. This would be a ballpark estimate of $2.5 million per mile. Therefore, the total costs for construction of 23,360 feet of main line track is estimated to be $11,049,280.

Highway 16 Crossing**:** An at-grade crossing will not be allowed on Highway 16 due to the speeds and traffic on that roadway. It is assumed the connection to CSX on the other side of the highway would need to be an underpass similar to the one used by Vulcan next to it. This requires a new bridge for State Highway 16 and an underpass for the rail spur to connect with CSX crossing the GADOT easement and CSX right of way. This will be the only way for CSX to connect to the new rail line.

The bridge for Highway 16 is estimated to be 180 ft. long and 40 ft. wide, with a vertical clearance of 23 feet. RII has used the GA DOT Bridge and Structures Manual for CSX projects requirements for overhead installations, which requires a minimum vertical clearance of 23 feet from top of the rail to the bottom of beam. The cost estimate for this underpass and bridge would be from $1.5 million to $2.5 million based on GADOT project Fiscal Year 2024-2025 forecast projections. This is a very rough estimate only as GADOT and CSX would dictate the requirements and approve the final design plans. GADOT and CSX may even require their own teams to construct portions or all of the structures on their property, which involve even higher labor costs. For purposes of this feasibility study, RII will use the mean value of $2 million.

Interchange Yard: In addition to the Rail Line, two tracks will be required to interchange with CSX. One track will be used for picking up loaded rail cars. One track will be used to drop off empty cars. These tracks would need to be at least 3,600 feet long in order to accommodate a single 80 car unit train. It is not clear where SRC expects these interchange tracks to be located.

No communication with CSX has been revealed to indicate they would allow the interchange tracks to be constructed on their right of way between Highway 16 and the CSX main line tracks. This seems to be the location intended by SRC based on the alignment maps presented but would require a portion of the tracks be constructed directly on CSX right of way. It would be rare for a Class I railroad to allow this for a new railroad, so RII has developed the capital costs as if the interchange tracks are to be located solely on the new railroad's property. If a commitment from CSX to allow this is revealed at a later date, it would require additional capital costs for the underpass noted above to be three tracks wide and could affect overall feasibility in other ways. If these tracks were located on the other side of the CSX tracks, there would be additional capital costs for a rail crossing and land acquisition. If they were to be located directly off the CSX line on the proposed new railroad's right of way, there is not enough room before the first bridge to construct these tracks, unless that bridge were constructed to accommodate three tracks, which would add considerable capital costs.

Any additional capital costs for these different scenarios notwithstanding, the minimum costs for construction of the two tracks would be the same regardless of where they are located. The closest point on the new railroad alignment where two 3,600-foot tracks could be constructed without affecting any other rights of way or bridges/underpasses or inclines is between the two proposed bridges, approximately 3,000 feet from the proposed CSX switch. This will require CSX to travel 3,000 feet into the new railroad's main line to pick up loaded trains and set out empties. According to CSX Design Criteria for unit trains, all turnouts or switches must be Number 10 or larger. Since these tracks will carry loaded trains and involve CSX requirements, RII used the higher end of the average cost per mile of $2.5 million per mile to estimate costs. Based on these parameters, the ballpark cost estimate to install the CSX interchange yard is $3.61 million.

Rail Bridges: Based solely on the documents provided by SRC and the Teague Testimony, it is apparent there will need to be at least two low rise rail bridges crossing branches of Two Mile Creek. Based on the flood plains in those drawings, each bridge will be assumed to be 200 feet long for a total of 400 feet of rail bridge on the line. Estimate of rail bridges is based on previous design estimates on other rail lines and is $525 per track feet. The Cost estimate to install 400 ft. of rail bridge is $214,000.

At-Grade Crossings: Based on documents provided and interviews with the property owners, five crossings will be constructed to connect severed properties. It is assumed that these crossings will be passive crossings with grading, dirt roadway crossing, and crossbucks warning signs only at this time. It was indicated that property owners might be under the impression that the crossings would not be passive and would include lights and/or gates for safety reasons. Since no specifications were provided for the track construction, RII has assumed the more conservative and common profile for these private crossings; however, if the design is planned or required to include active crossing signals and/or gates, it would increase the costs for these five crossings to over $1 million. The total costs to install five private crossings is estimated to be $5,000.

The Shoals Rd. Crossing will need to be a major crossing. The GADOT will dictate what type of warnings and protections are required for this roadway based on traffic. The state of Georgia is one of the top ten states spearheading railroad crossing safety and removal of at-grade crossings, so it could ultimately require this crossing to be a separated grade crossing like the Highway 16 one costed above. However, for this estimate, RII has assumed a more conservative cost allowing an at-grade crossing. There is enough traffic on this roadway to warrant a Four Quadrant style crossing with gates. This type of crossing protect restricts vehicles from ignoring the gates and driving around them, a leading cause of railroad crossing collisions. According to a study conducted by the Federal Railroad Administration (FRA), four quadrant gates may reduce gate violations by 86%. Four Quadrant Gated Crossings range from $200,000 to $250,000 each to install. This same study also suggests applying Dynamic Envelope pavement marking at some crossings results in a 45% reduction in the number of vehicles that stop on railroad tracks versus far enough back for safer clearance. These markings are also visible at night from a much farther distance. White and Yellow Fluorescent Thermoplastic paints range in price from $1.47 per linear ft. for white and $1.74 for yellow. If a pedestrian sidewalk is also necessary (likely since the alignment runs more or less along Maggie Reynolds Rd. with numerous residences on that street as well as Shoals Rd. at this location), Gate skirts may need to be installed to reduce the number of pedestrian violations, such as sneaking under lowered crossing arms, which result in a 55% reduction in horizontal gate violations. Gate skirts cost approximately $500 per gate.

The total cost of materials for this crossing, including white pavement marking and gate skirts, is estimated to be $226,441. The total costs for all at-grade crossings is estimated to be $231,441.

Train Building Tracks: Two 3,600-foot tracks dedicated to building the unit train and storing empty cars will be required. One 3,600-foot track will be dedicated to building the loaded unit train throughout the week. Based on the limited details provided to date on the planned operation, these tracks will be located on the new railroad – not at the CSX interchange or the Heidelberg facility like Vulcan. As cars are loaded at the conveyor, they will need to be moved from the quarry to the unit train building tracks and the train will be built day by day. Only once the complete unit train is built would it be moved as a unit to the CSX interchange tracks. The second 3,600 foot track is for the complete empty train pulled from the CSX interchange once CSX drops off the empty unit train of railcars. The empty cars would be pulled to the train building tracks and stored, to be pulled to the Heidelberg facility as needed for loading.

Based on RII's inspections in the area, it appears that these tracks will be located in a new rail yard to be constructed at the tail end of the new railroad along Old Galilee Rd. For purposes of capital costs on this project, RII has included only the unit train building tracks for this yard since Heidelberg's traffic is the only traffic vetted as likely for this line at the current time. SRC may plan to utilize this yard for other customers and transloading, but no such traffic was materialized, estimated, committed to, or guaranteed for this project. If such traffic is materialized, there would be additional capital costs for additional tracks, switches, ramps and equipment, as other traffic cannot be serviced from the unit train building tracks. RII used the lower end of the average cost per mile of $2 million per mile to determine cost per track foot on these tracks since this track can be built with light weight track with less frequency of ties and OTM. Two switches will be required to construct this yard. Based on surveys of several rail construction companies that provide track components pricing, each switch will cost approximately $75,000. The Total cost estimate for 7,200 feet of train building and empty storage tracks with 2 switches is $2,953,800.

Land Acquisition Costs: These costs include all costs associated with securing the right of way land for constructing the line. These costs include but may not be limited to:

- Value of land acquired
- Value reduced from remnant land
- Legal costs of condemnation
- Lease/Easement costs for agreements

The total amount of property included in a 200-foot right of way for 4.5 miles is 109 acres. Based on the property surveys performed by SRC and presented in the Teague Testimony, these 109 acres would cross nineteen individual parcels. It appears that 65.72 acres of the right of way will be granted by property owners by lease or by easement. The remaining 43.28 acres will be acquired by condemnation.

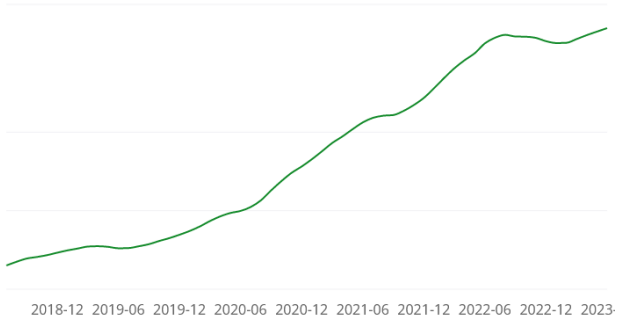
The following chart summarizes the parcels, ownership, and acquisition method:

Parcel No.	County Parcel No.	Owner	Acquisition Type
1	Class I Railroad RoW	CSX	Easement
2	State Highway 16 RoW	CSX/GA DOT	Easement
4	Communication Utility RoW	Verizon	Easement
6	166035	Briggs	Condemnation
7	186003	Marvin Smith	Condemnation
8	186004	William/Helen Smith	Condemnation
10	186009	William/Helen Smith	Condemnation
11	186010	William/Helen Smith	Condemnation
12	186011	Joel Reed	Condemnation
13	186013	Donald Garrett	Condemnation
14	186014	Wells/Hollis/Garrett	Condemnation
15		McEvers Family	Lease
16		McEvers Family	Lease
17	Irrevocable Land Trust	Moss Land Trust	Easement
18	186005	Thomas Lee	Condemnation
19	Heidelberg Quarry Easement	McEvers Family	Lease

Sometimes easements are granted without cost, sometimes they are a one-time fee and sometimes they are treated like leases with an annual payment due. Since we have no information whatsoever on the agreements between those landowners and SRC for those 65 acres, we have made broad assumptions as annual costs and included those in the Operating Costs section.

For the acreage to be acquired by Condemnation, the costs would be an initial cost to acquire the land. Condemnation requires that the property owners are compensated justly, which means full value for their land, any other damages the taking may cause to remnant properties and loss of future value.

For this Feasibility Study, the average price per acre was developed for land in the Sparta area. This is a rural area with nearby commercial development where land can be developed interchangeably for residential, commercial, agricultural or timberland. Average land prices in the Sparta area for all applications have gone up an average of 20% over the last year. With only a slight drop in values in the second half of 2022 when interest rates first rose, values began to climb again at the beginning of 2023 and are again at record highs.



A sample of property sales and listings in the area was taken from within the last 20 months, 2022 forward. The sample included all known qualifying sales and listings within the time period and within 3 miles of the target property right of way. These restrictions are important to ensure the property values reflect the specific property under valuation and are not skewed by unique trends in markets, such as the Sinclair Lake market to the west or the lower values in 2021 since property values have continued to increase. Properties are also omitted if the transaction record has incomplete data, had special circumstances (such as foreclosure or a family trade) that do not reflect open market value, or significant structures on the property.

A total of 10 qualifying properties were found within the parameters. All comparative property data was collected as of July 29, 2023. Although Sparta is still in what is considered a sellers' market and property values continue to increase, properties are currently selling for an average of 5% less than listed price.

Prop ID	Location	Distance from Subject (feet)	Price	# Acres	Sale Date	PPA (-5% for Current)
MLS#: 10147432	**1042 Hamilton St, Sparta, GA**	1.9 miles	$ 249,900.00	10.57	Current	$ 22,460.26
MLS#: 234023	**326 Railroad St, Sparta, GA**	2.8 miles	$ 25,000.00	0.17	Current	$ 139,705.88
MLS#: 59210	**6133 Highway 15, Sparta, GA**	1 mile	$ 304,300.00	86.24	6/6/2022	$ 3,528.53
Public Record	**Buffalo Rd. @ E. Broad behind 140 Buffalo, Sparta**	1 mile	$ 90,000.00	18.62	9/12/2022	$ 4,833.51
Public Record	**13800 Augusta Hwy, Sparta, GA**	2400 feet	$ 80,000.00	25.18	8/19/2022	$ 3,177.12
Public Record	**767 Dunn Rd. Sparta, GA**	3 miles	$ 20,000.00	4.61	6/27/2023	$ 4,338.39
Public Record	**229 Maggie Reynolds Rd. Sparta, GA**	1000 feet	$ 81,500.00	1.64	1/14/2022	$ 49,695.12
Public Record	**230-300 Maggie Reynolds Rd. Sparta, GA**	900 feet	$ 6,900.00	1.9	8/5/2022	$ 3,631.58
Public Record	**3603 Highway 15, Sparta, GA**	4500 feet	$ 1,752,427.00	811.23	1/12/2023	$ 2,052.20
Public Record	**Behind 6000 Block Sanderville Hwy Sparta, GA**	1.1 miles	$ 205,000.00	85.6	6/6/2022	$ 2,394.86
	Total # of Listings: 10		**$ 2,815,027.00**	**1,045.76**		**$ 235,817.46**

RII uses a two-step procedure for developing an average price per acre. This process protects against skewing for special features and bulk acreage. Two methods for determining the price per acre (PPA) were analyzed:

Aggregate Price Per Acre: This method prevents skewing from individual property listings with extreme pricing. Out of all properties in the sample, total all of the acres and the prices for all property and divide the total acres by the total price.

SUM (all property prices) / SUM (all acres) = PPA1

Average Price Per Acre: This method prevents skewing from bulk property discounts. Calculate the price per acre for each property listing, total all prices per acre and divide by the number of properties.

SUM (PPA for each property) / # of listings = PPA2

Then the mean of the two PPA values was used for calculating the average value for acreage in the right of way.

Based on the sampling collected at the end of July 2023, the average PPA is as follows:

PPA1 = $2,815,027 total price/1,045.76 total acres = $2,691.85.

PPA2 = $235,817.36/10 listings = $23,581.75.

The mean value of the two PPA methods is $13,136.80.

The PPA of @ $13,136.80 x 43.28 acres proposed for condemnation would be **$568,561** at the current time.

As a note, this is a ballpark figure and does not account for potential increased value to specific lots with potential commercial value accessible from Shoals Rd. where development is slightly stronger, properties with creek frontage or timber value. This ballpark analysis also does not account for possible features that could decrease value, such as easements, accessibility, and hydrology issues.

In addition, this figure does not include reductions in value the specific taking will have on the remainder of the parcels. The planned right of way will bisect most of the properties, leaving two smaller parcels intact. Although SRC will be providing a passive crossing to connect the two parcel remnants, the development options for each side will be reduced from what the entire large parcel could have supported. Therefore, the value of the taking goes beyond the simple price per acre taken. Lastly, as stated previously, land values in the area are rising, and any such valuation of land taken should consider a component for accounting for taking of an appreciating asset. At this time, these specific features and values of each parcel will not be examined, but if condemnation were to proceed, the value of all of these factors would need to be added to the total costs of condemnation, as well as the legal and litigation fees for the challenged condemnation, possibly adding another $1 million or more in additional capital costs.

The total initial Capital Costs associated with this project based on the limited information developed to date is estimated to be $20,627,082, broken down as follows:

Cost Component	Cost
Main Line track 4.5 miles	$ 11,049,280.00
Highway 16 Crossing	$ 2,000,000.00
CSX Interchange Tracks	$ 3,610,000.00
Two Rail Bridges	$ 214,000.00
At-Grade Crossings	$ 231,441.00
Train Building Yard	$ 2,953,800.00
Land Acquisition	$ 568,561.00
Total Estimated Capital Costs:	**$ 20,627,082.00**

New Heidelberg Facility Rail Infrastructure Construction

The Heidelberg quarry will need to construct significant additional rail infrastructure within its facility in order to have direct rail access. Currently the quarry ships only by truck. Heidelberg has mentioned that it will be constructing approximately $6 million in infrastructure improvements to its facility to support the rail service. Since Heidelberg only provided this ballpark figure and did not provide details on what would be covered with these costs, RII has developed its own capital costs based on the improvements Heidelberg has mentioned in public presentations and Testimonies.

An example of a quarry infrastructure designed to maximize rail efficiency is the Vulcan quarry next door. This facility has over 15,000 feet of rail infrastructure within its operation. It loads, stores, and builds trains within the quarry, providing its own rail switching by remote controlled locomotive slug units to move cars. Once a complete train is built, it is set out on the CSX interchange tracks also located within the facility. All CSX has to do is pull into the spur from its main line, set out the empty train of cars on a set out track and pick up the loaded train.

Ideally, Heidelberg would operate the same way to reduce the rail costs, which would be reflected in their rail rates. However, based on the infrastructure spending proposed and the facility layouts presented, it appears that the Heidelberg quarry may not have enough room for so many tracks with its planned pit expansion. In addition, SRC has indicated daily switching service for the Heidelberg facility, which indicates that SRC will be moving the cars in and out versus Heidelberg building its own trains. The tracks to be used for building the unit trains have been described and costed in the Train Building Tracks item under the new railroad's capital costs.

At a minimum, Heidelberg will need 3,300 feet of track for daily loading, empty car set out and switching maneuverability. This includes approximately 2,500 ft. lead track from the proposed line to the material storage area, the most likely destination of tracks inside the quarry, and one 800 ft. track used for loading, drop off, and pick up of at least 16 rail cars. This will require 2 switches with a cost estimate of $75,000 each, one off the proposed line and one for the loading track. Based on the information Heidelberg presented, RII has included one 150 ft., or two 75 ft. conveyer system with an estimated cost of $225,000 used for rail car loading, one $75,000 rail car scale, and approximately 6,000 ft. of sound mitigating berms that are 20 feet high with tree cover and 360 feet wide at the base of the cross-section. The estimated cost for quarry infrastructure is $6,200,700.

In addition, Heidelberg will need to secure at least 134 open top hopper cars for its unit train rail operations. Class I railroads no longer supply the equipment for these moves, especially since the cars would be held for 5-7 days within the Heidelberg facility. We have assumed that Heidelberg has these cars within its system, but if they need to be acquired, at approximately $125,000 each car, this could be an additional capital cost of up to $16-17 million.

All costing estimates were approximated using online research, survey, and design estimates from actual project forecasts. Any changes to the assumptions in design, equipment, operating plans, etc. could affect feasibility; however, no such details have been supplied at the time of this report.



Transportation Costing Comparisons

This section compares the costs for Heidelberg shipping its 400,000 tons of aggregate to a single location by multiple mode options.

Current Truck Costs

Heidelberg currently transports its aggregates by truck to local markets. Technically, all of the following markets identified by Heidelberg would be considered local markets because they are less than 300 miles:

- Savannah, GA – 163 miles, 2.75 hours via truck, 5.5 hours round trip
- Canadys, SC – 161 miles, 3 hours via truck, 6 hours round trip
- Jacksonville, FL – 281 miles, 4.3 hours via truck, 8.6 hours round trip

Therefore, let us begin by developing those trucking costs for comparison. These costs assume utilizing all existing roadways to these points.

Assumptions for the truck costing are as follows:

- Trucks costed are a 3-axle dump truck with a tare weight of 26,800 lbs. and a maximum load capacity of 26.6 tons or 53,200 lbs.
- According to the manufacturer, these trucks average 7 miles per gallon of fuel fully loaded at speeds up to 35 mph, and 9 miles per gallon at speeds up to 65 mph.
- According to the Bureau of Labor Statistics, the 2022 mean average wage for Heavy and Tractor Trailer Truck Drivers in the Middle Georgia nonmetropolitan area is $22.35.
- We are assuming Heidelberg has its own trucks to handle this operation with no additional capital costs.
- Current Weekly Retail Diesel pricing of $4.10 per gallon for the week of 7/31/23 is taken directly from the U.S. Energy Information Administration website for the Lower Atlantic Petroleum Administration for Defense District 1C that includes Georgia prices.

Heidelberg's existing trucks may have slightly different costs depending on its own costs of capital, lease terms, or truck types.

All traffic originates from Heidelberg Quarry 2403 Shoals Rd, Sparta, GA 31087. There are no tolls assumed or known for any of these routes. For comparison, we are assuming that each destination receives the entire daily production of 1,832 tons.

Port of Savannah, GA

This 326 mile, 5.5 hour round trip route assumes one loaded truck per day for each truck or 69 trucks and 69 drivers. This route will consume approximately 36 gallons of fuel or $148.51, each driver will cost $122.93, adding in estimated average fixed costs such as insurance, tires, vehicle maintenance, permits and licensing, and vehicle depreciation, we have a cost per ton of $24.88.

Canadys, SC

This 322 mile, 6 hour round trip route assumes one loaded truck per day for each truck or 69 trucks and 69 drivers. Each truck will consume approximately 36 gallons of fuel or $146.69, each driver will cost $134.10, adding in estimated fixed cost such as insurance, tires, vehicle maintenance, permits and licensing, and vehicle depreciation, we have a cost per ton of $25.24.

Jacksonville, FL

This 562 mile, 8.6 hour round trip route assumes one loaded truck per day for each truck or 69 trucks and 69 drivers. Each truck will consume approximately 62 gallons of fuel or $256.02, each driver will cost $198.92 including .6 hours of overtime at a rate of $33.53, adding in estimated fixed cost such as insurance, tires, vehicle maintenance, permits and licensing, and vehicle depreciation, we have a cost per ton of $42.20.

This means that Heidelberg's costs to ship the same tonnage by rail would need to be less than these. Trucking does not have the cost benefits of shipping an entire unit train of tonnage to the same location, so for destinations that can receive a whole unit train, rail could have an advantage. The next section examines this.

Railroad Costs

If Heidelberg is able to ship directly by rail using the new railroad, its rate would be considered a “Through-Rate.” This is a combined rate that includes the revenue required by all railroads in the route. Heidelberg’s total Through-Rate would include the portion for CSX as well as the new railroad.

For CSX’s portion, Class I carriers will usually provide a private contract rate for customers with specific lanes, commodities and committed unit train volumes. However, the rate will always provide a minimum revenue over its costs to handle the freight for the Class I. A conservative RVC of 2.00 has been used to develop these rates assuming that Heidelberg would get a private rate below the average RVC for moving aggregates of 2.74, but the final rate would be a matter of negotiation with CSX.

The railroad costs for CSX operating these three routes are as follows:

CSX Portion Only	Total RR Cost per Ton	Fuel Cost	Labor: Crew, Dispatch, Clerical	Road Locomotive	Yard & Industry Switching	Track & RoW	Rev/Cost Ratio	RR Rate	Total Miles	Round Trip Transit Days
Sparta to Savannah	$ 4.79	$ 0.90	$ 1.42	$ 0.64	$ 0.19	$ 1.65	2.00	$ 9.59	195.4	2.8
Sparta to Jacksonville	$ 8.84	$ 1.67	$ 2.38	$ 1.18	$ 0.19	$ 3.06	2.00	$ 16.95	341.3	3.1
Sparta to Canadys	$ 5.57	$ 0.98	$ 1.31	$ 0.56	$ 1.23	$ 1.48	2.00	$ 11.15	179.6	3.1
CSX	$ 3.61	$ 0.64	$ 0.96	$ 0.46	$ 0.37	$ 1.18			139.5	2
H&B	$ 1.97	$ 0.34	$ 0.35	$ 0.11	$ 0.87	$ 0.30			40.1	1.1

For this analysis we have assumed that the end user can also receive and unload the entire unit train within 24 hours. If this is not the case, there could be additional costs for unloading, trucking to end users, storage, etc. All equipment is assumed to be owned by Heidelberg so no demurrage or car hire is considered. CSX does not impose fuel surcharges as they have fuel worked into their annual rate escalation. All lanes assume a 67 car unit train loaded with 114 tons once per week using CSX Direct routing (with the exception of Canadys as described). STCC code is 1441225 for crushed raw granite.

Note, any other railroads in the routing at destination end would increase the costs/rates. Many routes that imply a CSX Direct rate actually have a short line handling carrier on the other end that does not show up in the routing. This is the case for Canadys, SC, which implies CSX serves Canadys, but actually is served by a short line called Hampton and Branchville Railroad, operating on CSX leased track. This is why the rail costs to Canadys are higher than the costs to Savannah, even though the miles to Canadys are fewer.

CSX can actually charge as much as it wants over this cost as it wants, bringing the rate just low enough to ensure it moves by rail, presuming it desires the traffic. Using Savannah as the benchmark, the lowest CSX rate would then be $9.59/ton.

For the new railroad's portion, the minimum costs it would be able to charge as a rate to Heidelberg would be its own cost per ton to handle aggregates, shown to be $0.63 per ton in the Operating Costs Chapter. Then the CSX portion would need to be added onto that, for a total of $10.22 per ton. The maximum rate would be at what cost Heidelberg could ship the aggregates using truck. Using Savannah as a benchmark, that would be $24.88/ton. Therefore, the tolerable range in rate for Heidelberg to utilize rail would appear to be anywhere between $10.25 and $24.00/ton. However, Heidelberg still has a much lower cost option for utilizing rail as discussed next.

Transload on CSX

The resounding argument for this new line has been the "need" to access CSX. However, the costs of adding in the additional railroad to the rates would hamper that access, making the rates less competitive with trucking or eliminate many market options. Therefore, a transload off the CSX Branch line would actually give Heidelberg Direct CSX access, which is a specific and crucial factor.

This option could also be set up at a ***fraction*** of the capital costs associated with the new railroad. There would be no need for a crossing over/under State Highway 16 or Shoals Rd. There would be no bridges or impacts to wetlands or waterways to consider.

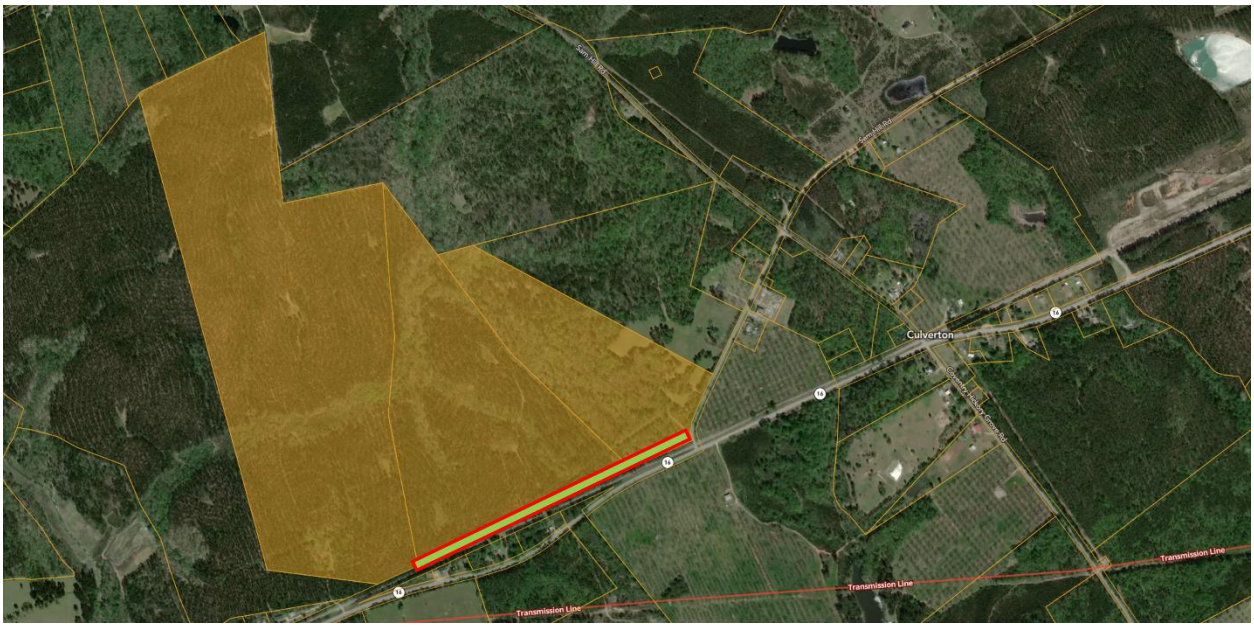
Heidelberg has mentioned that it has discussed with CSX in the past the possibility of establishing a transload directly on CSX's branch. No details of these discussions, including capital and transport costs or CSX requirements were provided. Therefore, RII has developed estimated costs for this option to see if a Transload Project would be feasible for Heidelberg.

Traffic: RII has assumed the same traffic for the transload operation as that assumed for the new short line operation: 400,000 tons or 67 carloads per week.

Operating Plan: CSX would set out an entire train set of cars on a single track to be loaded. Heidelberg would truck loads to the empty train throughout the week filling the cars from the trucks. At the end of the week, CSX will come pick up the full and complete train. At the same time, CSX would drop off the empty train set on a second track for Heidelberg to begin filling. There would be no need for in-plant train switching with this operation.

Capital Costs: The location of the transload could be anywhere on the north side of the CSX branch. It would require clearing, grading, construction of two tracks for loading unit trains and setting out empties with associated switches, derails, etc. In addition, we have included costs for paving the truck lanes in the facility to mitigate any runoff and environmental concerns since there have been issues with other quarries in the area in the past (however, Heidelberg might be able to simply use gravel to mitigate this concern at a lower cost and pave later only if found necessary).

Land: A narrow strip of land at least 3,600 feet long would be needed for two unloading tracks. RII estimates the minimum width as 70 feet to accommodate two tracks, a loading lane for trucks next to the tracks on the outside of either track, and a passing lane for trucks to get around or back out. For this analysis, we will assume a 70 x 3,650 foot strip of land to handle all operations, or 5.865 acres. Although the facility could be located anywhere along the CSX right of way, it appears there may be an ideal location on the west side of Roy Smith Rd., about 1.25 miles east of Vulcan (from the CSX switch heading into the quarry). This location would touch only three legal parcels that have only timberland and no structures located anywhere on the parcels, and would only shave off a small edge of the parcels versus bisecting them. There is also room to grow without adding impact to surrounding properties if needed at a later date.



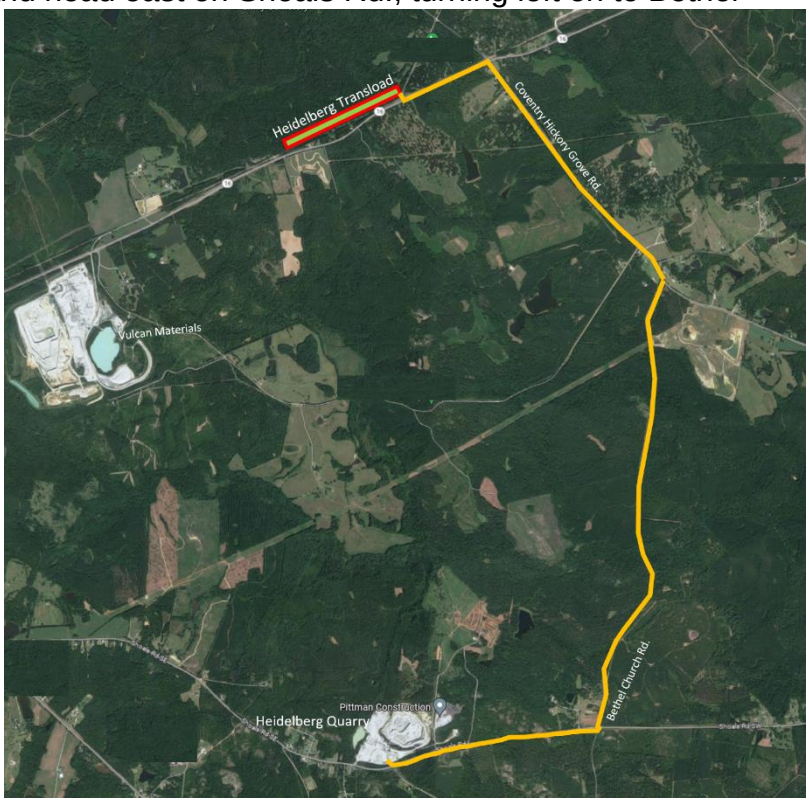
Based on the price per acre developed previously in this report for the Sparta area, $13,136.80 x 5.865 = $77,047 for land cost.

For facility construction, the following ballpark estimates have been made:

- 7,200 ft of track calculated at $473 per foot since this is connecting to CSX $3,405,600, one for transloading up to 80 cars and one for CSX to set out up to 80 empty cars.
- Two #10 switches required for CSX interchange for $200,000
- Two 10 ft. mobile conveyer systems for unloading trucks for $30,000
- Grading and paving for one loading lane along each track for $216,000
- Grading and paving for Bethel Church Rd. $807,480 (The main purpose of this cost would be to increase road speeds and turn times, as well as mitigate dust and noise for residents. Technically, these are public county roadways that Heidelberg could use anyway; however, this simple mitigation is easily recovered with the transportation savings would provide a safer and more cost effective operation. Heidelberg could also add a shoulder to Bethel Church Rd. and Coventry Hickory Rd. to increase travel speeds, reducing turn times, truck costs and labor).
- One rail scale for $75,000

Total Ballpark Capital Cost Estimate for the transload option is $4,734,080.

Route: The route recommended for this transload facility would be 5.74 miles. Trucks would leave the Heidelberg facility and head east on Shoals Rd., turning left on to Bethel Church Rd. then left again on Coventry Hickory Grove Rd. Trucks would then turn left onto Highway 16 for about ½ of a mile before turning right to use the Roy Smith Rd. existing passive railroad crossing then left into the transload facility. There is clear line of sight here for trucks to watch for the weekly trains for Vulcan and Heidelberg before exiting Highway 16 and turning onto the crossing to enter the transload facility.



Transportation Costs: These costs include the trucking costs to move the same amount of aggregate from the quarry to the transload site by truck and then have CSX ship it directly as a unit train. The total round trip miles are 11.48 miles. For this analysis we have assumed that the end user can receive and unload the entire unit train within 24 hours. If this is not the case, there could be additional costs for unloading, trucking to end users, storage, etc.

To compare with rail, we are assuming operating 52 weeks per year and 5 days a week to transport 400,000 tons. This results in 1,538.46 tons of material 57.84 or 58 truckloads per day that will need to be moved by the trucking operation. Assuming each truck will need to make a 43 minute round trip or 10 trips per truck in an 8 hour period. This is an optimized operation of 23 minutes drive time each way plus 10 minutes load/unload at each end. This leaves a flexible 50 minutes leeway for drivers handling the mobile conveyor at unload end and contingent traffic. This will require 6 trucks and 6 drivers to handle this traffic. Each truck will travel 115 miles in a day. For fuel, with 7 miles per gallon this equals 16 gallons or $67.24 per truck. Truck driver cost is estimated to be $178.80 per day.

Adding in fixed costs such as insurance, tires, vehicle maintenance, permits & licensing, and vehicle depreciation, we have an estimated cost per ton of $1.09. It is possible that Heidelberg may have access to volume fuel pricing that would reduce this cost.

One Way Miles	Round Trip Miles	Total Fuel Cost	Driver Cost	Fixed Cost	Permits & Licenses	Vehicle Maintenance	Tires	Vehicle Depreciation	Vehicle Insurance	Total Truckload Cost	Per Ton
5.74	11.48	$67.24	$178.80	$6.97	$.32	$2.25	$.52	$2.87	$1.01	**$290.96**	**$1.09**

This would be the maximum rate per ton the new railroad would be able to charge Heidelberg for it to remain economical for Heidelberg: $1.09 per ton; otherwise, Heidelberg could just transload it. Heidelberg would still be paying the same CSX portion, so its total point to point rate per ton would be $6.90 per ton to ship these unit trains by rail using the transload.

As a note, ***any*** potential customers would be able to utilize such a transload facility for Direct CSX access and save the entire rate factor of another railroad in the route. They would need to test to find out if the CSX routes and markets they wish to tap actually can be reached more cheaply than their current access with Norfolk Southern.

Other shippers would also likely need a large block or unit train of material to ship to a single end user market, or CSX will include in its rate to them the entire costs of sending a separate locomotive down the Camak branch for the small amount of cars.

Even though they are a common carrier and "must" pick up and deliver the freight, the rates charged will be cost prohibitive if they are not large amount that CSX is happy to serve, like the unit train aggregates keeping the branch operating at this time. Twenty cars of inbound oil per week plus ten cars of grains and ten cars of chips will not be enough for CSX.

There is an alternative routing option as well using existing paved roadways, but would involve higher traffic roadways and additional miles, adding to the per truck costs. Trucks would leave the Heidelberg facility and head west on Shoals Rd., turning right on Highway 15, north into Sparta, and then right again on Highway 16. Trucks would turn left to use the Roy Smith Rd. existing passive railroad crossing then left into the transload facility.

This option has not been costed separately at this time but would add approximately 2.8 miles to each one way truck trip.

Total Transportation Cost Comparisons

Using Savannah as the benchmark lane, the following chart compares the three transportation options Heidelberg has for transporting its 400,000 additional tons of aggregates from the Sparta quarry to a single point: Savannah:

Mode(s)	Truck/ Transload Cost	Railroad 1 Cost	Railroad 2 Cost	Total Rate per ton
Truck entire route	$ 24.88			$ 24.88
Direct Rail using New RR + CSX charging maximum to recuperate capital costs		$ 1.09	$ 9.59	$ 10.68
Truck to Transload+CSX Direct	$ 1.09		$ 9.59	$ 10.68

The key is that the Transload option requires $1.5 million LESS in capital spending than the direct rail options using the proposed short line railroad. In addition, its railroad service could not possibly be stable if the serving short line railroad is not a stable operation supported by the rate; it would likely end up needing to charge more to continue to operate.

This chapter is essentially a summary of the details developed in all previous chapters to model against and show different measurements for feasibility.

Feasibility Tests

As shown by the Operating Plan and Costs Chapter, the new railroad is only profitable if it charges at least $0.63 per ton. In addition, based on the Transportation Costing Chapter, the maximum it could charge would be $1.09 per ton or the transload option is more economical for Heidelberg.

	Year 2024
PROJECTED CARLOADS:	3484
AVERAGE REVENUE PER CARLOAD:	$ 124.00
OPERATING REVENUES	
TOTAL OPERATING REVENUES	$ 432,016
OPERATING EXPENSES	
MAINTENANCE OF WAY	$ 36,000
MAINTENANCE OF EQUIPMENT	$ 40,000
TRANSPORTATION	$ 138,222
GENERAL AND ADMINISTRATIVE	$ 37,500
OPERATING EXPENSES BEFORE D & A	$ 251,722
EBITDA	$ 180,294
OPERATING MARGIN	42%
OPERATING RATIO	58.3%
COST PER CAR	72.25
COST PER TON	$ 0.63
RATE PER TON	$ 1.09

The problem for the new operation is that it also has over $20 million in capital costs to recover before showing actual feasibility. Even by charging the maximum rate it could in order to keep Heidelberg's traffic, after projecting out the operation, it shows the project could not even recuperate half its costs after 20 years, only the first 5 years and the final year are presented below, full 20 year projections are provided separately.

SRC Sparta Operation Projection

	Year 2024	Year 2025	Year 2026	Year 2027	Year 2028	Year 2043
PROJECTED CARLOADS:	3484	3484	3484	3484	3484	3484
AVERAGE REVENUE PER CARLOAD:	$ 124.00	$ 128.96	$ 134.12	$ 139.48	$ 145.06	$ 261.25
OPERATING REVENUES						
TOTAL OPERATING REVENUES	$ 432,016	$ 449,297	$ 467,269	$ 485,959	$ 505,398	$ 910,193
OPERATING EXPENSES						
MAINTENANCE OF WAY	$ 36,000	$ 37,440	$ 38,938	$ 40,495	$ 42,115	$ 75,847
MAINTENANCE OF EQUIPMENT	$ 40,000	$ 41,600	$ 43,264	$ 44,995	$ 46,794	$ 84,274
TRANSPORTATION	$ 138,222	$ 143,751	$ 149,501	$ 155,481	$ 161,700	$ 291,213
GENERAL AND ADMINISTRATIVE	$ 37,500	$ 39,000	$ 40,560	$ 42,182	$ 43,870	$ 79,007
OPERATING EXPENSES BEFORE D & A	$ 251,722	$ 261,791	$ 272,263	$ 283,153	$ 294,479	$ 530,340
EBITDA	$ 180,294	$ 187,506	$ 195,006	$ 202,806	$ 210,918	$ 379,852
Capital Cost Debt	$20,446,788	$20,259,282	$20,064,276	$19,861,470	$19,650,552	$15,258,273
OPERATING MARGIN	42%	42%	42%	42%	42%	42%
OPERATING RATIO	58.3%	58.3%	58.3%	58.3%	58.3%	58.3%
COST PER CAR	72.25	75.14	78.15	81.27	84.52	152.22
COST PER TON	$ 0.63	$ 0.66	$ 0.69	$ 0.71	$ 0.74	$ 1.34
RATE PER TON	$ 1.09	$ 1.13	$ 1.18	$ 1.22	$ 1.27	$ 2.29

This is based on these assumptions:

- Traffic from Heidelberg remaining consistent; 700,000 tons was reported as the quarries capacity. Wither a rollout schedule for any future expansions or committed traffic from another customer, including roll out schedule, no additional traffic can be considered.
- Rate escalation matching cost escalation of 4% annually.

Normally, we would project out the operating costs against expected revenues for a number of years to recover the capital costs and show what rate of return the project could provide. A project may have a negative profit for several years after a major capital expense, but would be expected to recover the costs within a certain amount of time. Projecting out shows how different rate increases, traffic changes – even organic growth, and streams of revenue can quickly improve profitability. However, this project would not recover even half its initial capital cost after 20 years. This leaves nothing for any rate of return. Rail carloads would not increase organically as the traffic volumes have been based upon the maximum capacity of the quarry. Rates at this point have been assumed to escalate at no more than rail costs each year, keeping the margins the same, which in this case is still negative. Pro forma financial statements have also not been developed for this operation to show cash flow and debt recovery as there is not enough profit or cash flow to pay off the debt within a reasonable amount of time.

Economic Development Focus

If this were solely an economic development project where a grant was received to install a project for the hope of future economic development, there might be less concern over the project proving it could support itself. Grants do not need to be paid back and there is less concern over profitability. However, the trade-off for this type of funding is usually that an economic development agency seeking out or applying for such funds has likely already performed the studies needed to show significant need or ability to use the project. There would appear to be an economic development entity behind and supporting the project: Sparta Hancock Development Authority (SHDA); however, research indicates that this organization may have only one member, Mr. Haywood, mayor of Sparta, so it is not clear whether any actual economic development organization, professional expertise or completed studies behind this project.

Another quality of economic development projects is that they are usually designed with the support of the communities they are supposed to benefit. There is almost always a public feedback component to these projects.

This does not mean forcing the community to legally fight the project with a day in court, but proving that a public feedback process is performed as part of the project's due diligence before proceeding with any options. Usually, multiple scenarios are developed and presented and the public feedback is a factor in determining which option is chosen – the most benefits with the least harm, treating harm to individuals in the community and their properties as harm. It is possible in many of these circumstances that the lowest cost option is not the least combined harm. This public process is another Trade-off for access to public funds with no future fiscal responsibility to justify the funds. The County Board of Commissioners who Mr. Haywood testifies asked him to be the Executive Director of SHDA is not on record as supporting this project specifically because of the community's opposition to it.

There also seems to be questions as to whom this project benefits. Obviously, any increased business and revenue within the County is beneficial in tax revenue. However, this is rarely the only or main benefit for a project of this scale and physical impact. SRC and Heidelberg claim that the project will add numerous jobs, but many of the jobs for these operations (indeed all of the jobs from SRC) would be handled by existing personnel who live in other counties. This would also likely be the case for any increased spending from the new business brings since its headquarters is in Sandersville. Interviews with residents claimed that most of the workers at the quarry were not residents of Hancock County. Unless the new jobs created are for residents of Hancock County, then it isn't really economic development for the county or city.

Hancock County indeed has one of the lowest per capita incomes related to other counties and businesses have been closing over the last several decades. Although a large portion of residents within Hancock County are not employed, this is not an unemployment figure. Over 25% of Hancock County residents are over retirement age of 65 and live in Sparta because they have retired there to live away from heavy industry. Numbers are being thrown around to create an impression of grand economic development and opportunity for everyone in the County, but it is important to examine those numbers to see how they are really benefitting those impacted or whether they are just a clever spin.

The county might look at other options for economic development such as capitalizing on the historical and environmental aspects of the county as a retreat or tourist locale. In addition, it could encourage commercial development along the existing I-15 and I-16 corridors versus cutting pushing through a brand new and unnecessary right of way. There are numerous avenues toward economic development that do not take people's private property because someone else wants it or doesn't appreciate how they want to us it.

The county would get the tax benefits of the quarry expanding whether the rail spur is constructed or not if Heidelberg uses the Transloading option. Heidelberg would also still add the jobs it has noted, whether those are Hancock County residents or not. However, there would be no property condemnations and it would save at least $20 million in costs being paid by someone, possibly taxpayers if the project is paid for with public funding. The current local markets served by Heidelberg with trucks would continue with no trucks being removed from existing roadways and the transload option for Heidelberg adds only six daily trucks to the roadways.

Since Georgia does not allow condemnation for economic development purposes, this project must present a clear and present (not many years down the line) need for this property for more than one customer. This has not been done to date. For any funding partners in this project, as presented to the courts so far, the project is not feasible itself and would not produce any rate of return for decades. Although much information has been requested to answer questions and resolve many of the assumptions that had to be made with this report, it is doubtful that enough traffic can be produced within the foreseeable future to justify the project or the rates CSX would charge to operate on the branch line. There seems to be much talk of “other shippers on the line” and future development “on the line.” And yet, there are no other shippers on it without substantial additional unjustified capital. Just because a railroad starts up hoping to draw more industries does not mean the serving Class I CSX will not charge high (uncompetitive) rates to move it. Unless there are plans to continue taking property as “needed” and try to connect this new line to another railroad to gain NS and CSX access, which would cause competition alarms with Norfolk Southern and the STB, and is also not the purpose presented to the courts for these condemnations, then most of the testimonies regarding future possible traffic, future speculative facilities, hopes for economic development, etc. are simply wishes and misinformed about where the actual proposed line is located and how it connects to the national rail system.

Conclusions and Limitations

In conclusion, the project has not been developed enough to prove its feasibility. Based on all concrete details developed so far, the project is not only infeasible, it does not make sense that anyone would spend this much capital for the amount of revenue to be generated. Without further details show where the money is coming from, how their costs were developed or how traffic is guaranteed, SRC and Heidelberg would end up spending $13.6 million only to find they are short another $12-13 million to even move the traffic.

Limitations

The following caveats and limiting conditions apply to this Feasibility Study and any changes to the assumptions that had to be made would alter the feasibility of the project.

- No discovery was performed at this stage so the information available was extremely limited. Basic materials such as the breakdown in detail for the track construction cost estimates from SRC and facility improvements from Heidelberg have not yet been received. The lack of information and detail required many educated assumptions for the details on the analysis. It is the hope that given the scrutiny that this project will be given, SRC, Heidelberg and potential shippers for this project will provide the details expected.

- There was a limited time to compile analysis that should have been performed on this project before proceeding. This analysis should be taken as a high level feasibility analysis. If all parties want to supply their actual costs, it could alter the results.

- All estimates for measurements, costs and timing are ballpark estimates only based on the limited information provided. No detailed surveying or engineering estimates were performed by RII or provided by SRC at the time of this report.

- Mandatory requirements from CSX for crossing its right of way or interchange could affect capital costs for interchange tracks and operational costs.

- Mandatory requirements from GADOT for all crossings could affect the capital costs.

- Material costs, labor costs and inflation have been volatile for the last 3 years. Values and costs in this report are estimated as of the date of this report only and the situation will likely change significantly the farther forward time goes from this date as interest rates rise, markets fluctuate and costs increase.

- Mandatory requirements from STB for operating authority and conditions regarding competitiveness could change the operating plan allowed and affect costs.



Appendices

Appendix A - Abbreviations

Abbreviations	
CSX Transportation (Class I Railroad)	CSX
Federal Railroad Administration	FRA
Georgia Department of Transportation	GADOT
Norfolk Southern Railroad	NS
Steel Track Materials (Other than Rail)	OTM
Price per Acre	PPA
Rail Cost Adjustment Factor-Unadjusted	RCAFU
Revenue to Cost Ratio	RVC
Sparta Hancock Development Authority	SHDA
Sandersville Railroad Company	SRC
Surface Transportation Board	STB
Standard Transportation Commodity Code	STCC
Uniform Rail Costing System	URCS

Appendices Attached separately

Appendix B: Expert Witness Qualifications

Appendix C: Inspection Photos

Appendix D: 20 Year Feasibility Projection