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**Mr. Ryan Dallaway**

Senior Economist  
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**Re. Costing Model Review – Phase 1**

Canadian Pacific (CP) thanks you for the opportunity to discuss the Agency staff's recent Costing Model Review. We understand that the intent of this review is to improve the accuracy of calculations of long-run-variable-cost made using the Agency determined costing model. In particular, this review is looking at potential improvements to the way in which:

- i) the UCA accounts are used to develop unit costs;
- ii) service units are applied to those unit costs in order to calculate the LRVC.

To that end, CP recommends investigating the impact of changes along the following lines:

- 1) CP has suggested certain changes to operating drivers for inclusion in the regression analyses used to determine the relationship between the UCA accounts and the service units.
- 2) CP has suggested certain changes to the "Subtotals", which drive the calculation of overhead costs.
- 3) CP recommends investigating the averaging periods used to calculate certain unit costs. It may be possible to improve correlations by aligning the averaging period to the natural cycle of an operating activity.

CP would be happy to assist in analyzing the impacts of these changes, and any others that may be suggested.

Sincerely,

Tyme Wittebrood  
Advisor, Regulatory Economics  
CANADIAN PACIFIC