

Surface Transportation Board
Rail Energy Transportation Advisory Committee

Meeting Minutes • December 1, 2015

The Surface Transportation Board's (STB) Rail Energy Transportation Advisory Committee (RETAC) convened at STB Headquarters in Washington, D.C., on December 1, 2015. Co-Chair Darin Selby called the meeting to order at 9:00 a.m. The meeting agenda and copies of referenced documents are available on the STB's website at <http://www/stb.dot.gov/stb/rail/retac.html>.

Meeting Attendance

Surface Transportation Board:

Dan Elliott, Chairman
Ann D. Begeman, Vice Chairman
Deb Miller, Commissioner
Chris Diamond, Office of the Chairman
Michael Higgins, Designated Federal Officer

RETAC Committee Members:

George Duggan	Mark Hamilton	Ed McKechnie
Bob Guy	Bob Hulick	Tony Reck
John Gray	Dan Sabin	Darin Selby
Kareen Gray	Mark Huston	
Lee Johnson	Kent Smith	
Beth Whited	Amy Newton	
Paul Taylor	Dennis Rackers	
Robert Hardman	Donna Cerwonka	
John Carr	Tom Scargle	

Meeting Content

Chairman Elliott, Vice Chairman Begeman, and Commissioner Miller provided opening remarks. Chairman Elliott noted that informal meetings on reporting of rail service performance data (STB Docket EP 724) would be ongoing for the next two weeks. He and Vice Chairman Begeman thanked the committee members for rescheduling the meeting and their contributions to the committee's work. Commissioner Miller thanked the members for rescheduling the meeting and looked forward to the day's discussion. Incoming committee members were welcomed and the outgoing members were thanked for their service.

Co-Chair Selby welcomed the committee, thanking the guest speakers for their attendance and the time they spent in preparation for the meeting.

Secretary/Treasurer Mark Hamilton reported current available committee funds were \$1,184.79 as of November 1, 2015. Thirteen members have paid the replenishment fee with 12

remaining to pay. Invoices were made available to members and emails will be sent to those who have not yet paid the replenishment fee.

Darin Selby introduced the new members and thanked retiring members for their service to the committee.

Jeff Wallace (Retiring)	Southern Company
Dave Garin (Retiring)	BNSF Railway
Scott Teel (New)	Southern Company
Rob Hardman (New)	Dynegy
George Duggan (New)	BNSF Railway

Co-Chair Selby then requested nominations for a shipper representative to fill the vacant Co-Chair position on the Committee. George Duggan nominated Rob Hardman, which was seconded with no additional nominations. A vote was taken and Mr. Hardman was unanimously elected. Mr. Hardman accepted the appointment.

Performance Measures:

Member Ed McKechnie presented a Review of Performance Measures (copy available on RETAC website).

Industry Segment Updates

1. Railroads

Member Donna Cerwonka provided an update on railroad performance. She reported that rail infrastructure and service is in good to excellent condition. Class 1 railroads plan to spend \$29 billion, an all-time record, in capital this year even though car loadings are down 4.6 percent through October 2015 when compared to the first ten months of 2014. Several pending regulatory issues could impose substantial burdens while providing little or no corresponding benefit. The PHMSA/FRA final rule requiring electronically controlled pneumatic (ECP) brakes on unit trains carrying high-hazard flammable materials and the proposed FRA rule that would require freight trains to have a crew of at least two persons – one certified as a locomotive operator and the other as a conductor – were discussed. Member Rob Guy stated the position that two person crews are safer for rail operations. It was noted that FRA recognized 2014 as the safest year ever in the freight rail industry.

2. Utilities

Member John Carr presented the utility update (copy available on RETAC website). Utility stockpiles are generally up, compared to the same period last year, and rail service has been good in 2015. A survey taken by the National Coal Transportation Association (NCTA) showed that coal demand for 2015 is below forecast and below 2014 actuals. Mr. Carr also noted that many utilities have taken train sets out of service and are storing rail cars.

3. Mines

Member Kent Smith presented an update (copy available on RETAC website). Coal production is down in 2015 and producers continue to face financial headwinds with several producers moving

into Chapter 11. All coal producing regions have been significantly affected in 2015. Exports are down and there is generally low demand in the utility sector due to competition from low natural gas prices. Coal production is expected to be 900 million tons in 2015.

4. Ethanol

Member Mark Huston presented an update (copy available on RETAC website). Corn production is expected to be 13.65 billion BU in 2015 with 5 billion BU going to ethanol production. Ohio, Indiana and Missouri corn production is down in 2015 while Nebraska and Iowa production is up. Current storage level is at 28-29 day's supply. Gasoline and biodiesel demand is increasing due to low prices and increased consumption. Rail service has been very good during 2015.

5. Railcars

Members Kareen Gray and Bob Hulick presented an update (copy available on RETAC website). Freight car builders delivered over 67,000 cars in 2014 with the current forecast for 2015 being 86,000 or a 28% increase. Covered hoppers and tank cars continue to drive the demand. Sand, stone, glass and concrete loadings are expected to continue to grow into 2019, increasing the demand for additional rail cars. Petroleum, crude and natural gas products currently make up 4% of North American car loadings. Petroleum and crude carloads are projected to decrease by 4% in 2015. Regulatory activities will influence tank car builds and pipeline construction in the U.S.

6. Oil

Member Lee Johnson presented an update (copy available on RETAC website). Oil prices continue to decline but producers are reacting quickly to the lower demand. While rig counts have decreased, production has increased driven by efficiencies in the hydraulic fracturing industry. September 2015 was the first decline in domestic production in a decade. Volumes of crude moving by rail are down to near 2013 levels but rail is still very important to the transport of crude oil. While the destinations have changed, the Bakken field is still shipping the most production by rail.

Guest Presentation – Annual Energy Outlook (AEO) 2015: Coal Projections

Diane Kearney, EIA

Mrs. Kearney reviewed the legislation and regulations contained in AEO2015 along with the actions not addressed in the reference case. Key takeaways are that expanding development of shale gas resources have increased production and lowered prices for natural gas. Coal consumption is project to remain steady through 2040 and exports are projected to rise due to global demand. The proposed Clean Power Plan (CPP) was detailed with the possible impacts associated with it. The coal production basin shifts continue with the Interior coal region showing growth and the Appalachia region declining. The CPP will have significant impact on the coal production and coal fired plant retirements going forward, if implemented.

Additional Matters

Michael Higgins, DFO, reported there were no written public comments received by the STB, related to RETAC.

Roundtable Discussion – Dennis Rackers expressed his appreciation for the positive train control (PTC) extension passed by Congress. Suggestions for potential speakers for next meeting are being explored. Board Member Miller stated that she would like to see more interactive discussion during the meetings.

The next meeting date was set for April 14-15, 2015 with a field trip to the Dallas/Fort Worth, TX area. Tours would be on the 14th with the regular RETAC meeting on the 15th.

The meeting was adjourned at 12:45 p.m.

Respectfully submitted,

/s/ Mark Hamilton

Mark Hamilton
Secretary/Treasurer

Certified by:

/s/ Darin Selby

Darin Selby
RETAC Co-Chair

/s/ Rob Hardman

Rob Hardman
RETAC Co-Chair

January 15, 2016