

Meeting Minutes  
Surface Transportation Board  
Rail Energy Transportation Advisory Committee  
April 6, 2017  
Washington, DC

The Surface Transportation Board’s (STB) Rail Energy Transportation Advisory Committee (RETAC) convened at STB Headquarters in Washington, DC on April 6, 2017. Co-Chairmen Rob Hardman and George Duggan called the meeting to order at 9:00 a.m. The meeting agenda and copies of referenced documents presented during the meeting are available on the STB’s website at:

<https://stb.gov/stb/rail/retac.html>

Meeting Attendance

Surface Transportation Board:

Ann Begeman, Chairman  
Daniel R. Elliott III, Vice Chairman  
Deb Miller, Commissioner  
Jason L. Wolfe, DFO

RETAC Members:

Rob Hardman	George Duggan	Daniel R. Sabin
Sean Craig	Darin Selby	John Gray
James Rader	Brad Hildebrand	Lee K. Johnson
Robert Hulick	Mark Huston	Jill Harrison
Edward McKechnie	Mark Hamilton	Barbara Porter
Dennis Rackers	Brian Fuller	Dan McLaughlin
Scott Yaeger	Garrick Francis (for Donna Cerwonka)	

Meeting Content

Mr. Rob Hardman welcomed the committee and turned the floor over to Mr. George Duggan. Mr. Duggan thanked the committee for attending and for its efforts in preparation. STB Chairman Ann Begeman welcomed the members and notified the committee that she would need to depart to attend the April 6, 2017 hearing held by the House of Representatives’ Committee on Oversight and Government Reform, Subcommittee on Government Operations.

Vice Chairman Dan Elliott and Board Member Deb Miller also welcomed the members.

Mr. Hardman and Mr. Duggan welcomed two new members: James Rader of Greenbrier Companies and Brian Fuller of Southern Company. Mr. Hardman and Mr. Duggan also expressed gratitude for the work of resigning RETAC members. Secretary/Treasurer Dan Sabin gave an update on RETAC’s finances.

There is a current balance of \$1,663.76. Mr. Duggan explained that RETAC funds cover the cost of lunch and incidentals for the committee. Additional detail will be provided at the next meeting as there still is some transition between the former and new Secretary/Treasurer.

### Federal Advisory Committee Overview

Mr. Chris Oehrle of the STB's General Counsel's office gave a presentation (copy available on RETAC website) on the Federal Advisory Committee Act. This presentation included the role of the committee, the rules of the committee and general ethical guidelines. He also introduced Jason L. Wolfe as the new Designated Federal Officer for the committee.

### Outside Guest Speaker

Seth Schwartz, President of Energy Ventures Analysis, Inc. gave a presentation on the structural decline in coal-fired electricity generation and the outlook, going forward, for energy supply and demand (copy available on RETAC website).

### Railroad Performance Metrics

Member Ed McKechnie of WATCO Companies reviewed measures of railroad performance (copy available on RETAC website). For 2016, he noted that carloads of coal decreased by 1,065,953 carloads (-19%), and that coal loads are down 2.7 million in the last six years, which is about 73 trains per day on a 12-day cycle. He stated that there are 3,000-3,500 locomotives and 100,000 rail cars in coal service that aren't being used due to this decline. It is believed that there will be an increase in demand for 2018; however, the challenge is aligning assets for the increase. There is a 9-10 month lead time for all assets. Western railroads had a significant drop in the 2<sup>nd</sup> quarter of 2016. The eastern railroads had a drop in 2015 and 2016, and a four-year historic low for coal loads. Canadian railroads show a drop during these years also.

### Industry Segment Updates:

#### 1. Railroads

Member Darin Selby made an opening statement on the 10<sup>th</sup> anniversary of the RETAC. Mr. Selby also offered that the U.S. freight railroads will invest 22 billion dollars in infrastructure. In 2017, they will continue that trend and have spent 635 billion dollars since the industry was deregulated. Freight railroads spend 6x more on capital infrastructure than other industries and provide 33 billion dollars in federal and state tax revenues.

#### 2. Utilities

Co-Chairman Rob Hardman spoke about electric utility coal consumption between 1980-2016. Between those years, annual consumption was 900 million tons or greater for 21 straight years and now stands just over 700 million tons. Consumption has fallen by more than 100 million tons three times since 2008. There was a small uptick between 50-75 mm in 2017 over 2016, but overall, a steady decrease. Market dynamics of coal are now shifting and state and federal subsidies for renewables undermine effectiveness of competitive markets.

3. Mines

Member Jill Harrison started with an introduction of other team members and gave a brief overview of U.S. coal production by basin. Mines have reduced production by 20 percent and U.S. car loadings for 2017 are between 2015 and 2016 levels. For the Northern Appalachia coal, the rail cost is more than the barge price now. Ms. Harrison gave an overview of the costs and technology associated with the Mississippi Power Kemper County Energy Facility. This plant was built to meet regulatory requirements. This facility is still not online and the costs continue to exceed the projected budget.

4. Ethanol/Biofuels

Member Mark Huston provided an update on the ethanol/biofuels industry (copy available on the RETAC website). Ethanol is expected to use 5.4 billion bushels of corn in 2016-2017. U.S. growers are expected to plant more soybeans in 2017 due to the cheaper cost to grow. The total U.S. ethanol supply chain inventory had a higher production in the last year. The total mandated usage for 2017 is 2.0 billion gallons with a total advanced biofuels mandate at 4.28 billion. Service has been good from the railroads but the PNW and California have been hurt due to the weather. One rail carrier is offering pricing options to change out DOT 111 cars. There was also an update regarding the ECP braking rule that was proposed by the FRA and the issues with the modeling and test plan.

5. Railcars

Member Bob Hulick presented an update (copy available on the RETAC website). Industrial production remained flat despite six straight months of growth in manufacturer's output. Rail traffic is up 2.5% in the U.S. compared to 2016. Crushed stone, sand and gravel traffic is up 8.5% year over year. At present, 20-25% of open hoppers and gondolas for coal are in storage. The EIA forecasts a 3% increase in U.S. fuel ethanol production in 2017.

6. Oil

Member Lee Johnson gave an update on crude oil production and stated inventories remain at elevated levels (copy available on the RETAC website). The U.S. land oil rig count is down 61% versus the 2014 peak. U.S. production declined 3.1% from March 2015 thru March 2017. Current economics favor pipeline transportation over rail.

Summary of Written Public Comments

Jason Wolfe reported no public comments were received.

Roundtable Discussion

This was tabled to next meeting.

Next Meeting

It was decided that members would confer by email and coordinate with the STB Board Members.

## References

Biofuels Segment Update

<https://www.stb.gov/stb/docs/RETAC/2017/April/RETAC%20Biofuels%20April%206.pdf>

Railcars Update

<https://www.stb.gov/stb/docs/RETAC/2017/April/RETAC%20Railcar%20April%206.pdf>

Performance Measures

<https://www.stb.gov/stb/docs/RETAC/2017/April/RETAC%20Performance%20Measures%20April%206.pdf>

Coal Producer Update

<https://www.stb.gov/stb/docs/RETAC/2017/April/RETAC%20Mining%20Update%20April%206.pdf>

Coal Market Outlook 2017

<https://www.stb.gov/stb/docs/RETAC/2017/April/RETAC%20US%20Coal%20Market%20April%202017.pdf>

Oil Industry Segment Update

<https://www.stb.gov/stb/docs/RETAC/2017/April/RETAC%20Oil%20Industry%20Update%20April%206.pdf>

Utility Update

<https://www.stb.gov/stb/docs/RETAC/2017/April/RETAC%20Utility%20Update%20April%206.pdf>

FACA Overview

<https://www.stb.gov/stb/docs/RETAC/2017/April/RETAC%20FACA%20and%20Ethics%20April%206.pdf>

Approved by:

/S/ George Duggan  
RETAC Co-Chairman

/S/ Rob Hardman  
RETAC Co-Chairman