



# **RAIL ENERGY TRANSPORTATION ADVISORY COMMITTEE**

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**INAUGURAL MEETING**

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**HOSTED BY:  
THE SURFACE TRANSPORTATION  
BOARD**

**UPDATE ON STB ACTIVITY REGARDING RAIL  
ENERGY TRANSPORTATION ISSUES**

**BY THOMAS J. BRUGMAN  
OCTOBER 24, 2007**



# **RAIL ENERGY TRANSPORTATION ADVISORY COMMITTEE**

## **DISCLAIMER**

**THIS PRESENTATION REFLECTS THE  
UNDERSTANDING OF THE  
PRESENTER REGARDING  
COMMENTS FILED IN EX PARTE 575,  
EX PARTE 671, AND EX PARTE 672.**

**IT IS NOT AN OFFICIAL STATEMENT OF  
THE SURFACE TRANSPORTATION  
BOARD REGARDING THE  
COMMENTS CONTAINED.**



# RAIL ENERGY TRANSPORTATION ADVISORY COMMITTEE

- **STB Activities on Energy**
  - **Formal Rate Complaints**
  - **Tours of Power Plants and The Powder River Basin**
  - **Ex Parte No. 575 - Railroad Sale or Lease Agreements & "Paper Barriers"**
  - **Ex Parte No. 671 – Infrastructure Hearing**
  - **Ex Parte No. 672 – Discussion Issues**
    - **Coal**
    - **Ethanol**
    - **Bio Fuels**
  - **Creation of the RETAC Committee**



## **RAIL ENERGY TRANSPORTATION ADVISORY COMMITTEE**

- **Ex Parte No. 575 - Public Hearing: Railroad Sale or Lease Agreements & "Paper Barriers,"**
- **July 27, 2006**
- **Participants from Utilities, Agriculture, Chemicals, Class 1 and Shortline RR's, and Various Associations**



## **RAIL ENERGY TRANSPORTATION ADVISORY COMMITTEE**

- **Ex Parte 671 - Public Hearing:  
Rail Capacity and Infrastructure  
Requirements**
- **April 11, 2007**
- **Participants from Utilities,  
Agriculture, Chemicals, Class 1  
and Shortline RR's, plus Various  
Associations and Government  
Agencies**



## **RAIL ENERGY TRANSPORTATION ADVISORY COMMITTEE**

- **Ex Parte 672 - Rail Transportation of Energy Resources Critical to the Nation's Energy Supply**
- **Public Hearing in Kansas City, MO**
- **July 18, 2007**
- **Participants from Utilities, Railroads, Ethanol Industry, and Various Associations and Government Agencies**



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- **MAJOR ISSUES – COAL**
  - **24% of Total US Railroad Traffic by Carload (2007 annualized)**
  - **Multiple Competition and Service Issues Between Shippers and Railroads**



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## Coal

Carloads originated - US Class I Railroads







# RAIL ENERGY TRANSPORTATION ADVISORY COMMITTEE

- **Coal Shipper Issues From Filings in EP 572, EP 671 and EP 672 - Overall:**
  - **Coal Dependent On Rail**
  - **Rail Network Fragile**
  - **Insufficient Capacity and resulting Congestion**
  - **Insufficient Investment in Coal Regions**
  - **Poor Merger Planning**
  - **Service Failure Means Higher Electricity Prices to US Economy**



# RAIL ENERGY TRANSPORTATION ADVISORY COMMITTEE

- **Coal Shipper Issues From Filings in EP 572, EP 671 and EP 672 - Reduced Competition:**
  - **Lack Of Competition**
  - **RR Mergers and Acquisitions**
  - **Destruction of Excess Capacity**
  - **RR's Not Held Accountable For Service**
  - **RR's Have a Take it Or Leave it Attitude**
  - **Shortlines Restricted - Paper Barriers**
  - **Haz Mat Policies:**
    - **Anhydrous Ammonia**



# RAIL ENERGY TRANSPORTATION ADVISORY COMMITTEE

- **Coal Shipper Issues From Filings in EP 572, EP 671 and EP 672 - Service:**
  - **Subject To Capacity /Congestion Spillover From other commodities**
  - **Unit Train Cycle Time Deterioration**
  - **Service Issues Limit The Amount of Coal Delivered to Utilities**
  - **Not Receiving 100% of Coal Required**
  - **Rushing To Realize Short Term Cost Savings**



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- **Coal Shipper Issues From Filings in EP 572, EP 671 and EP 672 – Service (Continued):**
  - **Gateway Congestion**
  - **Closure of Yards and Trackage**
  - **Adding More Train Sets but Not Improving Train Performance**
  - **Deferred Roadbed Maintenance**



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- **Railroads Respond - From End-Of-Year Peak Letters to STB and Filings:**
  - **RR's Are Only One Link In The Supply Chain**
  - **Mine Disruptions**
  - **Receiver Plant and Equipment Failures**
  - **Trainloads Held Near Destination**
  - **Utility Stockpile Strategies**
    - **Inventory Reduction**
    - **Sufficient Inventory to Cover Service Fluctuations**



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- **Railroad Efforts to Improve Service**
  - **Invested \$100 Billion from 1990 – 2006 (per DOT Filing in EP 671- Does not Include Maintenance)**
  - **Increased Capacity in the Form of Second, Third and Fourth Mains**
  - **Expanding Centralized Traffic Control (CTC) Signaling**
  - **Diversions of Trains Around Encumbered Mines**
  - **Running Repairs to Unit Trains**
  - **Increasing Train Tonnage**



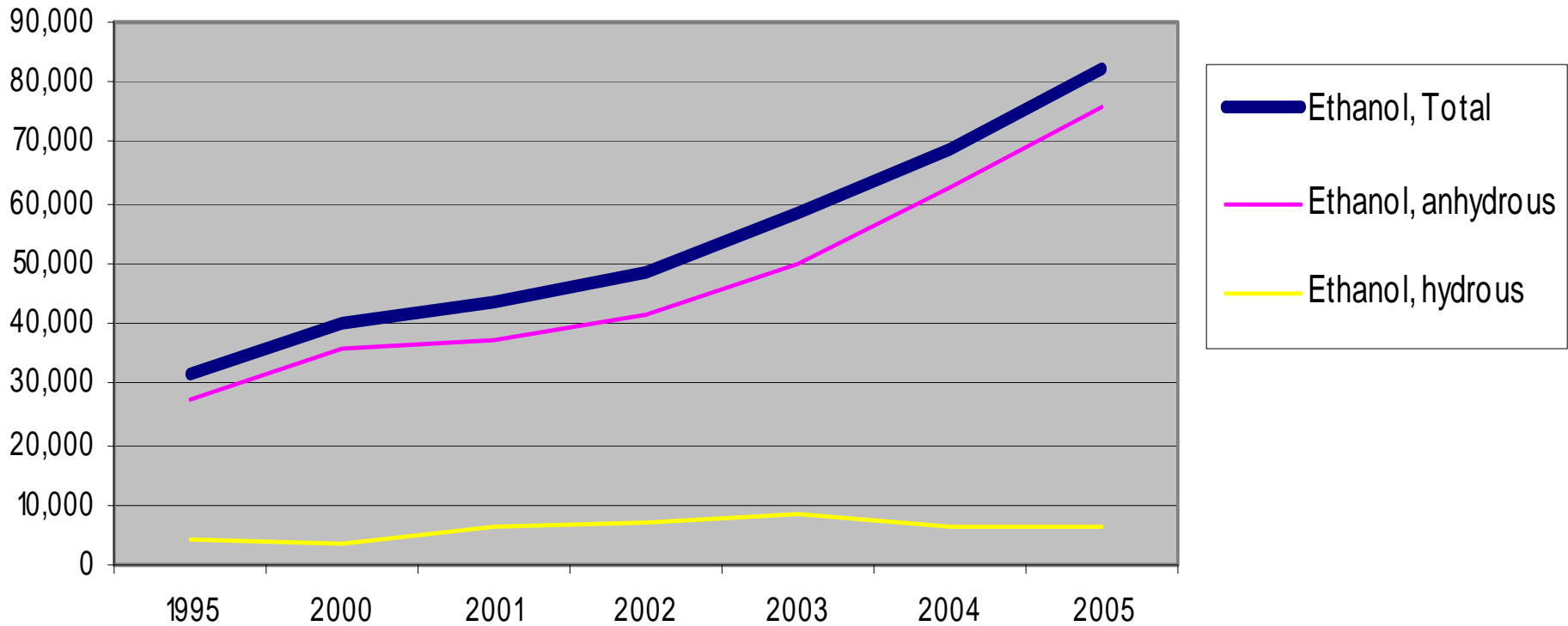
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- **MAJOR ISSUES - ETHANOL**



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**Ethanol Carloads 1995-2005**  
(non-linear time scale)







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- **Ethanol**
  - **Gasoline Additive**
  - **Unit Train and Single Car Approach**
  - **Smaller Volume than Coal**
  - **Less Than 5% of Total Railroad Traffic**
  - **Essential to US Energy Needs**
  - **Will Capacity Issues in Other Commodities Impact Ethanol Service?**



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- **Bio Fuels**
  - **Bio-Diesel, etc.**
  - **Smaller Volumes than Ethanol**
  - **Developing Markets**
  - **Primarily Single Car Shipments at this time**



# RAIL ENERGY TRANSPORTATION ADVISORY COMMITTEE

- **Questions?**
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