

Statement of Dave Wanner
on behalf of
Western Coal Traffic League and Wisconsin Public Service Corporation
EP 724 – *United States Rail Service Issues*
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I would like to thank the Surface Transportation Board for allowing me to speak today about the service problems my company has been experiencing and their effect on our customers, as well as the broader impacts on Western Coal Traffic League members whom I am representing today.

My name is Dave Wanner. I am the Manager of Fuel Services for Wisconsin Public Service Corporation, WPS for short. WPS serves approximately 445,000 electric customers and 323,000 natural gas customers, primarily in Northeastern Wisconsin. During 2013, approximately 82% of the electricity we generated and 55% of all electricity we provided to our customers came from our WPS's coal-fired power plants or those we jointly own with other utilities. Our coal-fired plants burn coal from the Powder River Basin in Wyoming. All of the coal is transported by rail and there is no viable alternative mode of transportation.

Events that began in late 2013 and continue to this day illustrate both the importance of rail to our business and our customers and the need for improvement on the part of our rail service providers. The majority of my comments will be based on events at our Weston site, located in north central Wisconsin, which is our largest source of coal-fired generation. The coal for this facility is delivered through a joint Union Pacific Railroad/Canadian National movement.

At the beginning of December 2013, our coal inventory at Weston was at about 105% of our targeted level. Rail deliveries during 2013 had been generally reliable. Then rail service began to degrade. Our December railroad cycle times increased over 25% compared to the year-to-date average. By the end of December 2013 our inventory was down to 72% of target.

By this time we were in the midst of a severe winter. Electricity production at reasonable prices during such trying times is critical to our customer base, and our coal-fired plants are essential because they are the only major generation source where we are able to store significant fuel on site and thereby guarantee a consistent and cost effective method of providing electricity during a bitterly cold winter. However, with rail service having declined precipitously, we were relying on supplementing our production with natural gas. Unfortunately, delivered natural gas prices into parts of Wisconsin had skyrocketed. At times the cost of natural gas in our territory was five times higher than the commonly quoted Henry Hub price, which was itself on the rise.

Rail service to Weston continued to be substandard throughout January and February of 2014, so that by the end of February, our inventory was down to 23% of target. At the beginning of March, we instituted coal conservation measures in order to avoid completely running out of coal. We also began providing weekly updates of our Weston inventory to our Public Service Commission and filed a Form OE-417 with the Department of Energy on March 6, 2014. The OE-417 was filed to notify DOE of a fuel supply emergency that could impact electric power system adequacy or reliability. Our coal conservation measures increased the cost of providing electricity to our customers since lower cost coal-fired generation was replaced with more expensive alternatives.

Our coal conservation measures did little more than stop our inventory erosion as cycle times continued to degrade. During the first quarter of 2014, cycle times were more than 65% greater than the 2013 January through November average. Weston's inventory finally recovered significantly during a lengthy planned May 2014 outage at our largest Weston unit. Nevertheless, coal conservation measures remained in place given our concerns about our rail service and the impact a hot summer might have on the coal inventory at Weston.

Initially, UP and CN indicated that severe winter weather was the primary cause of the service degradation. However, after winter ended, rail service to Weston did not significantly improve. Cycle times during the second quarter of 2014 were almost 50% greater than the 2013 January through November average. A cool start to summer helped us retain inventory to some extent and we temporarily removed our coal conservation measures in June. However, as rail service continues to lag, we have lost an amount of inventory equal to about 17% of our target during July 2014 and to about 20% more of our target during August 2014. As a result, we reinstated coal conservation measures in mid-August, which is adding to the millions of dollars these measures have already cost our customers during 2014.

Our customers have been affected by other rail service shortfalls as well. We are joint owners of the Columbia facility, which is located approximately 40 miles north of Madison, Wisconsin and which is operated by the co-owner. This facility is sole-served by the BNSF. Despite it being served by a different railroad, Columbia has experienced the same type of rail service shortfalls as Weston. We have also implemented coal conservation measures at Columbia, which continue to this day, creating replacement energy costs for our customers. We are also concerned about having inadequate inventory heading into winter.

Other WCTL members have experienced similar problems. Many WCTL members have seen their coal stockpiles depleted to the point where coal conservation measures were required, and many have been conserving coal for extended periods of time. The STB heard about such measures back in its April hearing. WCTL members have also experienced:

1. Significant increases in cycle times from the same periods in 2013.
2. Sets of railcars parked for weeks – BNSF apparently had 100 or so sets parked sometime in June 2014.
3. Inability to add railcar sets.
4. Millions of tons of coals requested but not delivered.
5. Inability to plan for future periods due to poor rail service performance.
6. Millions of dollars of replacement energy costs.
7. Increases in dwell times at plants.
8. Increases in interchange times.
9. Switching units to alternative fuel, taking units offline or running units at very low levels just to keep them in service if a spike in requirements occurs.

Many WCTL members are particularly concerned about the reassurances from railroads, such as BNSF, that they will not let the utilities run out of coal. These reassurances are not very meaningful considering that utilities will take action to conserve coal well before completely running out of coal.

BNSF has suggested that it will spend its way out of this problem – Matt Rose made this point just two weeks ago. However, most WCTL members have been told that service may not return to “normal” until 2016. Other carriers, such as UP, have largely flown under the radar on

service issues. However, WPS's situation demonstrates that problems persist with many carriers, and the Board must be vigilant in all quarters.

WCTL has requested on several occasions that the Board require additional reporting from BNSF and other railroads as necessary. These coal-specific statistics are vital to utilities trying to understand and track the recovery of the railroads, and WCTL submits that the Board would also benefit greatly from this data. Moreover, agencies and entities charged with electric system reliability are also keenly interested in such data. As such, WCTL requests that the Board require the following information from BNSF on a bi-weekly basis:

1. The actual number of coal cars loaded;
2. Coal cars requested;
3. The average number of coal trainsets presently in service, broken down between shipper-supplied (private) trainsets and BNSF-supplied trainsets;
4. Any restrictions on utilization of shipper-provided equipment in BNSF coal service;
5. Any restrictions on the availability of train crews for coal service;
6. Any shortages in locomotive power available for coal service; and
7. Average cycle times for coal trains operating between PRB mines and (a) Council Bluffs, IA (b) Chicago, IL (c) Minneapolis/St. Paul, MN and/or Superior, WI, (d) Kansas City, MO; (e) Fort Worth, TX (for delivery to customer facilities at or served via those points).

The Board should also consider requiring BNSF to supplement and detail any recovery plans it has for coal service on a bi-weekly basis.

As for other railroads, WCTL requests that the Board order UP to provide interchange dwell times and yard dwell times in IL and WI for UP and CN, as well as UP coal train cycle times from the PRB and Colorado to Chicago, IL, CN's average coal train speeds to and from Chicago, IL, and any restrictions on the availability of crews of coal service on UP and CN. Likewise, UP should provide cycle time data for coal trains moving from the PRB to Chicago, Kansas City or Fort Worth.

WCTL also urges the Board to consider any other actions it believes will aid all of the shippers impacted by BNSF's service problems and other railroads' service issues as well.

On behalf of WPS and WCTL, I thank you for allowing me this opportunity to testify today, and I request that a copy of my testimony be included in the record. I am happy to answer any of your questions.