

**Surface Transportation Board  
United States Rail Service Issues  
Docket No. EP 724**

236651  
ENTERED  
Office of Proceedings  
September 10, 2014  
Part of  
Public Record

Comments of Bob Kahn  
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Chairman Elliott, Vice-Chairman Miller and Commissioner Begeman, my name is Bob Kahn. I am the General Manager of Texas Municipal Power Agency ("TMPA"). I testified at the April 10, 2014 hearings the Board held at its offices to address service problems affecting the United States rail network. I also attended the hearing last week in Fargo, mainly because we are still concerned that the rail delivery service issues we began experiencing in May 2013 may not be fully recovered until well into 2015 or maybe even 2016. Due to poor rail service in 2013, we began 2014 with low coal inventories, and we are concerned that 2015 will begin the same way.

Established in 1975, TMPA is a non-profit municipal utility that serves the cities of Bryan, Denton, Garland, and Greenville, Texas. TMPA and its Member Cities serve over 183,731 electric meters, including 161,924 residential and 21,789 commercial meters. The electric generation provided by TMPA is vital to these communities.

TMPA has only one generation asset, the base load coal-fired Gibbons Creek Steam Electric Station located near Iola, TX. Gibbons Creek has a net generating capacity of 470 megawatts. TMPA also operates transmission facilities that are tied into the Electric Reliability Council of Texas ("ERCOT") system and other electric providers to deliver electric energy to the Member Cities' residents and businesses. TMPA performs the typical duties of a utility system, except that the power it generates is sold exclusively to the cities it serves.

Gibbons Creek burns approximately 1.9 million tons of Powder River Basin ("PRB") coal a year. BNSF Railway ("BNSF") delivers all of TMPA's coal. TMPA's reliance on BNSF has significant consequences. Only 18 months ago, TMPA had a full coal pile with nearly 60 days inventory at Gibbons Creek. Today, we have less than 15 days of inventory on the ground.

BNSF's service began its decline in May 2013. BNSF has struggled periodically to provide locomotives, crews, and rail cars in adequate amounts to move our coal needs. Since the April 2014 STB hearings, BNSF has done a much better job of keeping train sets in TMPA service and expeditiously moving our shipments through the Tower 55 capital project in the Ft. Worth area. TMPA coal deliveries have maintained pace with our high summer demand with the exception of a few operational emergencies on the rail system, but these blips are problematic. In short, each time inventory begins to increase an unexpected event occurs driving us back into low inventory positions with minimum reserves to cover further delivery degradation. As such, TMPA and seemingly the utility industry at large need to replenish coal inventories to levels sufficient to withstand normal system upsets and changes. BNSF must do everything in its power to enable utilities to provide our critical service "electric energy".

It's also possible that if BNSF's coal delivery performance does not stabilize, BNSF may threaten the availability of electricity across ERCOT. I am a former CEO of ERCOT, and I am keenly aware of the consequences of coal-fired electric generating stations having to curtail generation in Texas. Those consequences could be significant, painful and headline-making news.

BNSF's cycle times continue to be a concern for the balance of 2014. We are seeking assurances from BNSF that it will provide TMPA adequate service to build our coal pile to a reasonable level this fall and are hopeful BNSF continues to respond with adequate delivery resources to outpace our coal consumption.

In light of BNSF's service challenges, TMPA's Member Cities have already incurred over a million dollars in costs to deploy energy conservation methods, which preclude Gibbons Creek from running on an economical basis, in order to minimize coal burn and build or just protect inventory.

On the upside, BNSF has communicated well, and it seems to have focused on the seriousness of TMPA's situation. However, with slower cycle times there is no margin for BNSF system interruptions (i.e., flooding, derailments, unplanned track outages, etc.), mine system disruptions (i.e. flooding, equipment failures or strike) or plant unloading disruptions or generation output increases if demands remain higher than projected.

BNSF continues to reassure us "TMPA will not run out of coal." However the reality is that we, not BNSF, will not let TMPA run out of coal because of all the measures it takes to conserve coal when delivery performance falters. We believe that if we do not take these measures there is a high probability we would run out of coal. We would like very much to manage our generation asset instead of having BNSF's rail service or lack thereof determine how we run our facility. While BNSF's cooperative efforts are appreciated, coal is still desperately needed.

I understand the Board has considerable power and discretion to aid shippers when severe service issues arise. TMPA urges the Board to consider any other actions it believes will aid all of the shippers impacted by BNSF's service degradation. On behalf of TMPA and its Member Cities, I thank you for allowing us this opportunity to file these comments.

cc: Office of Rail Customer & Public Assistance Program  
Tripp Doggett – ERCOT CEO