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SERVICE DATE – APRIL 21, 2006

SURFACE TRANSPORTATION BOARD

DECISION

STB Docket No. 42088

WESTERN FUELS ASSOCIATION, INC., AND  
BASIN ELECTRIC POWER COOPERATIVE, INC.

v.

BNSF RAILWAY COMPANY

Decided: April 19, 2006

In a decision served on March 17, 2006, we instructed both parties to file supplemental information that could be used in analyzing the traffic group and operating plan issues raised in this stand-alone cost (SAC) case (March 17 Order). In that order, we instructed the parties to, among other things, use the Energy Information Administration (EIA) Annual Energy Outlook (AEO) 2006 with projections to 2030 forecasts for Wyoming Powder River Basin (PRB) low-sulfur sub-bituminous coal to develop traffic group tonnage from 2006 through 2024. These recently updated tonnage forecasts are published in the AEO 2006 report, available to the public on EIA's website.

On April 6, 2006, BNSF Railway Company (BNSF) filed a petition for reconsideration of the March 17 Order. The railroad argues that use of the more recent forecasts requires an adjustment to the 2005 forecast tonnages for the traffic group to reflect actual 2005 experience. Otherwise, BNSF argues, there would be an inconsistency between the volume assumptions used by the parties for 2005 and the volume assumptions for 2006-2024 that are the basis for these new forecasts. On April 12, 2006, Western Fuels Association, Inc. and Basin Electric Power Cooperative, Inc. (collectively WFA) filed a reply opposing BNSF's petition for two reasons. First, WFA maintains that BNSF has offered no evidence that the actual 2005 traffic group tonnage was lower than forecast. Second, WFA asks that the Board not burden it further, as its work in complying with the March 17 Order is well along and granting BNSF's request would require WFA to start over.

For the reasons set forth below, BNSF's petition for reconsideration is denied.

DISCUSSION AND CONCLUSIONS

In this proceeding, WFA hypothesized a stand-alone railroad (SARR) that would operate from the fourth quarter of 2004 (4Q04) through the third quarter of 2024 (3Q24). However, actual traffic volume information for this time period was not available to the parties when the SAC evidence was prepared. The parties therefore had to develop traffic projections for the entire SAC analysis period. For the year 2005, the parties had agreed that traffic levels would

increase by an annualized 6.1% from 4Q04 levels, based on BNSF's 2005 plant-specific internal business forecasts and WFA's internal business forecasts for the issue movement. Thereafter, the parties used EIA forecasts to project traffic levels for 2006 through 2024, using BNSF's 2005 internal business forecasts as a base. Because the parties had agreed on the forecast traffic growth for 2005, the March 17 Order instructed the parties to use updated EIA forecasts to project growth only for 2006 through 2024.

BNSF now asserts that the 2005 traffic levels should be lowered to reflect only 1.9% growth from 2004 to 2005. Specifically, BNSF would lower the agreed-upon forecast by the difference between the EIA's forecasts for 2005 traffic levels as published in the AEO 2005 and the more recent in the AEO 2006. The table below shows the old and updated EIA forecasts for Wyoming PRB low-sulfur, sub-bituminous coal and BNSF's proposal.

Year	EIA 2005		EIA 2006		BNSF's Proposal
	million tons	percent change	million tons	percent change	percent change
2004	391.41	-	377.29	-	-
2005	421.90	7.8%	404.97	7.3%	<b>1.9%</b>
2006	427.80	1.4%	423.08	4.5%	4.5%
2007	446.00	4.3%	432.84	2.3%	2.3%
2008	462.56	3.7%	444.28	2.6%	2.6%
2009	480.28	3.8%	453.63	2.1%	2.1%
2010	489.66	2.0%	453.69	0.0%	0.0%
2011	502.98	2.7%	465.89	2.7%	2.7%
2012	513.63	2.1%	472.38	1.4%	1.4%
2013	519.73	1.2%	474.03	0.4%	0.4%
2014	523.44	0.7%	473.06	-0.2%	-0.2%
2015	529.26	1.1%	464.51	-1.8%	-1.8%
2016	533.03	0.7%	466.66	0.5%	0.5%
2017	537.16	0.8%	472.56	1.3%	1.3%
2018	544.53	1.4%	480.26	1.6%	1.6%
2019	557.97	2.5%	485.46	1.1%	1.1%
2020	561.22	0.6%	510.15	5.1%	5.1%
2021	567.04	1.0%	534.78	4.8%	4.8%
2022	576.31	1.6%	549.90	2.8%	2.8%
2023	588.31	2.1%	565.72	2.9%	2.9%
2024	599.92	2.0%	584.47	3.3%	3.3%

BNSF's request is flawed in two respects. First, the updated EIA forecasts show traffic growth of 7.3% from 2004 to 2005. This exceeds even the 6.1% agreed to by the parties, and is well above the 1.9% now advocated by BNSF. Second, to the extent the actual tonnage forecast for 2005 fell from 422 to 405 million tons, that appears due to actual 2004 traffic levels (377 million tons) falling below forecast 2004 traffic levels (391 million tons).

BNSF asserts that its total 2005 coal volumes were only 1.0% higher than its 2004 coal volumes, well below that projected by EIA. WFA objects to BNSF's calculation, arguing that the results produced by annualizing quarterly carloads will be distorted by short-term variances or seasonality. Even if this figure carried over to the smaller subset of PRB coal traffic comprising this traffic group, which BNSF has failed to show or assert, BNSF's actual 2006 coal volumes will likely be above the projected 4.5% average increase in 2006 projected by EIA, as BNSF hauls more coal to make up for the 2005 shortfall. See Argus Coal Transportation at 2 (Apr. 11, 2006) (reporting BNSF's total PRB coal traffic levels for the first quarter of 2006 were 5.4% ahead of pace for 2005). Such short-term fluctuations are expected and provide no basis for setting aside agreed-upon forecasts.

Given that the most recent EIA forecast shows traffic growth from 2004 to 2005 that is comparable to that agreed to by the parties, BNSF has offered no basis to reconsider the March 17 Order. Accordingly, we will hold the parties to their agreement regarding 2005 traffic levels. While we considered using the updated EIA forecast for the entire SAC analysis period, replacing the agreed-upon 6.1% estimate with the 7.3% estimate from EIA, it is not our practice in these proceedings to set aside agreed-upon internal forecasts used by the parties.

This decision will not significantly affect either the quality of the human environment or the conservation of energy resources.

It is ordered:

1. BNSF's petition for reconsideration is denied.
2. This decision is effective on the date of service.

By the Board, Chairman Buttrey and Vice Chairman Mulvey.

Vernon A. Williams  
Secretary