



WESTERN COAL TRAFFIC LEAGUE

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March 13, 2014

BY HAND DELIVERY

The Honorable Daniel R. Elliott III
Chairman
Surface Transportation Board
395 E Street, S.W.
Washington, D.C. 20423-0111

Re: BNSF Railway Service Crisis

Dear Chairman Elliott:

The Western Coal Traffic League (“WCTL”) is deeply concerned about BNSF Railway’s (“BNSF”) ability to deliver coal now and in the coming summer months. WCTL’s electric utility members are charged with “keeping the lights on.” BNSF’s continuing service failures threaten this mission. Indeed, many of WCTL’s members fear they will run out of coal, if not now, by summer. Given the critical need for reliable electric service, WCTL is compelled to advise the Board of the dire circumstances its members are facing.

WCTL is grateful that the Surface Transportation Board (“Board”) recently queried BNSF on its declining service metrics and the impact these declines are having on rail shippers. The Board’s letter of February 5, 2014 has hopefully led to fruitful discussions between the Board and BNSF. However, more than a month has passed since the Board’s letter and WCTL’s members have yet to see a turnaround in BNSF’s service. The service problems have resulted in a variety of problems, including:

1. Precariously low stockpiles – often dipping below 10 days.
2. Forced price increases into electric markets to protect limited coal stockpiles.
3. Increased electric costs as a result of reduced coal-fired generation and its replacement with higher priced generation – additional costs for one utility were several million dollars in January alone.
4. Attempts to rebuild coal piles have been unsuccessful as BNSF moves from one inventory “fire” to the next.
5. Lack of train sets for shippers using railroad-provided cars.

Some WCTL members expect that the lack of coal in the hot summer months will cause many plants to shut down. For example, one WCTL member projects that it will run out of coal by July because it is unable to build its stockpile due to BNSF’s service failures.

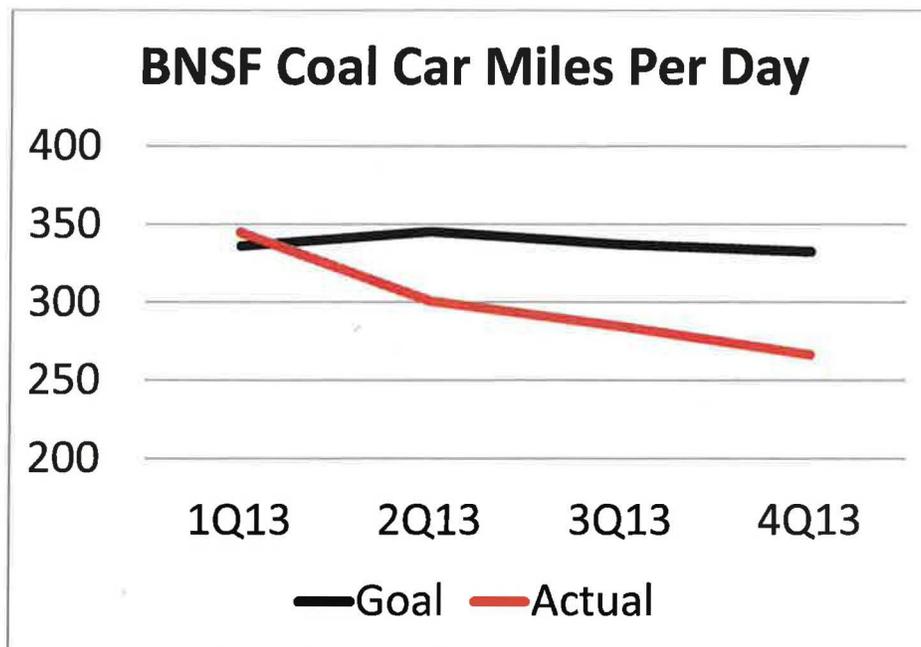
WCTL is also concerned that BNSF’s capital improvements and maintenance schedule for 2014 may degrade service even further. These projects include:

1. The Tower 55 project in Fort Worth, TX (March 2014 – August 2014). This project will disrupt traffic flows by routing loaded coal trains through Kansas City and empty coal trains south and west around Fort Worth thereby lengthening already slow cycle times.
2. New facility construction and extensive maintenance in North Dakota and Montana will strain existing capacity, much of which is single track.

While such projects are undoubtedly useful and beneficial in the long run to WCTL’s members, we are concerned that BNSF has not adequately explained how it will meet its service commitments while this work is being performed.

Lack of transparency into BNSF’s recovery plans is also frustrating WCTL’s members. All of our members are in regular contact with BNSF personnel – some are even talking on a regular basis to the highest levels of BNSF – but no clear path forward is evident. BNSF’s public statements provide little detail as well, except that BNSF acknowledges that it let its customers down in 2013, and it has described a 24-hour war room mentality that it is applying to solving its problems.

BNSF's public statements also seem inconsistent with the severity of its problems. BNSF has leaned heavily on weather problems as the cause of its service problems in late 2013 and early 2014. However, BNSF's service decline started many months before. For example, BNSF tracks its performance versus its goals for coal trains. By its own statistics its service has been steadily declining since the second quarter of 2013.



WCTL is also concerned that weather problems do not tell the full story. WCTL notes below several additional items that may be contributing to the service problems its members face:

1. BNSF has approximately 7,000 locomotives in its fleet, but apparently some of these locomotives were, and possibly are, still languishing in storage.
2. Sets of coal cars go in and out of particular shipper's service as BNSF scrambles to keep up with the dwindling stockpiles of various plants.
3. BNSF announced that it hired 2,300 new crew members in 2013, but attrition rates are not mentioned. Regardless, a large influx of new staff is sure to be disruptive to operations.

4. BNSF may still be understaffed. For example, BNSF recently offered a \$5,000 referral bonus to any employee that helped it fill one of 450 open positions in North Dakota, Montana and Wisconsin.
5. BNSF appears to have lost its focus on its core businesses, such as coal and agricultural products, as it chases new business opportunities.

While new business grabs the headlines, it still only represents a small fraction of all the trains BNSF's handles. Thus, WCTL suspects that BNSF is facing a multifaceted problem that may not be easily corrected.

WCTL believes that the Board can make a difference in these difficult circumstances. However, without adequate data, the Board and the shipping public will be hampered in their understanding of the problems BNSF is facing. Thus, WCTL recommends that the Board require BNSF to regularly provide important data by traffic type including:

1. The number and volumes of deficits that have arisen under contracts;
2. The volumes of traffic that BNSF has failed to transport as requested by rail shippers;
3. Any restrictions on utilization of shipper-provided equipment;
4. Crew availability;
5. Locomotive power shortages; and
6. Performance over key corridors.

WCTL also urges the Board to prepare public summaries of any private meetings that the Board has with BNSF so that the shipping public may be fully informed of the Board's and BNSF's actions.

Finally, the Board is empowered to take further action beyond mere data collection. WCTL respectfully requests that the Board take any and all further action that it deems necessary to correct this crisis.

Thank you for your attention to this matter.

Respectfully submitted,



Bette Whalen

President, Western Coal Traffic League

EXPEDITED CONSIDERATION REQUESTED

BEFORE THE
SURFACE TRANSPORTATION BOARD

PETITION OF THE WESTERN COAL)
TRAFFIC LEAGUE TO INSTITUTE A)
PROCEEDING TO ADDRESS THE)
ADEQUACY OF COAL TRANSPORTATION)
SERVICE ORIGINATING IN THE WESTERN)
UNITED STATES)

Docket No. EP 723

**PETITION OF THE WESTERN COAL TRAFFIC LEAGUE
TO INSTITUTE A PROCEEDING TO ADDRESS THE ADEQUACY OF
COAL TRANSPORTATION SERVICE ORIGINATING IN THE WESTERN
UNITED STATES**

WESTERN COAL TRAFFIC LEAGUE

By: Bette Whalen, President
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Dated: March 24, 2014

service metrics, as well as any service recovery plan that BNSF has developed. In support hereof, WCTL states as follows:

BACKGROUND

On March 14, 2014, WCTL informed the Board that BNSF's service problems had reached crisis proportions for numerous BNSF coal transportation customers. *See* Letter from Bette Whelan, WCTL President, to Hon. Daniel R. Elliott III, STB Chairman ("WCTL Letter"). In this Letter, WCTL summarized the dire circumstances faced by its members:

[WCTL] is deeply concerned about [BNSF's] ability to deliver coal now and in the coming summer months. WCTL's electric utility members are charged with "keeping the lights on." BNSF's continuing service failures threaten this mission. Indeed, many of WCTL's members fear they will run out of coal, if not now, by summer. Given the critical need for reliable electric service, WCTL is compelled to advise the Board of the dire circumstances its members are facing.²

WCTL also provided specific examples of how the collapse in BNSF service is adversely impacting utility coal shippers, and their utility customers:

1. Precariously low stockpiles – often dipping below 10 days.
2. Forced price increases into electric markets to protect limited coal stockpiles.
3. Increased electric costs as a result of reduced coal-fired generation and its replacement with higher priced generation – additional costs for one utility were several million dollars in January alone.
4. Attempts to rebuild coal piles have been unsuccessful as BNSF moves from one inventory "fire" to the next.
5. Lack of train sets for shippers using railroad-provided cars.

² WCTL Letter at 1.

6. Some WCTL members expect that lack of coal in the upcoming hot summer months will cause many plants to shut down.³

Finally, WCTL expressed its concerns about the lack of transparency concerning BNSF's recovery plans:

Lack of transparency into BNSF's recovery plans is also frustrating WCTL's members. All of our members are in regular contact with BNSF personnel – some are even talking on a regular basis to the highest levels of BNSF – but no clear path forward is evident. BNSF's public statements provide little detail as well, except that BNSF acknowledges that it let its customers down in 2013, and it has described a 24-hour war room mentality that it is applying to solving its problems.⁴

Since WCTL wrote its Letter, there has been no improvement in BNSF's service. Indeed, BNSF's service to its coal shippers is worsening as BNSF's service problems are spilling over to adversely impact the operations of other western carriers, including Union Pacific Railroad Company. While BNSF has recently proclaimed certain, general statistical service improvements, the fact remains that its western coal transportation customers continue to suffer from severe shortages of service.

REQUESTED ACTIONS

The Board is well aware of BNSF's service problems and has taken proactive informal actions, which included the Board's request, made early last month, that BNSF officials meet privately with the Board to discuss "this serious matter."⁵ At that time, the Board observed that "BNSF's current service problems are unusual and already

³ *Id.* at 2.

⁴ *Id.*

⁵ *See* Letter from Chairman Elliott and Vice Chairman Begeman to BNSF President and Chief Executive officer Carl Ice dated February 5, 2014 at 2.

have had a serious impact on customers.”⁶ In addition, WCTL is aware that some shippers have sought informal Board intervention through the Board’s Rail Customer and Public Assistance Program, which is presumably attempting to provide assistance.

These are positive steps. However, they have not solved the problem for coal shippers. More is required.

A. Institute a Formal Proceeding

WCTL requests that the Board take a necessary first step: institute a formal proceeding to address BNSF’s inability to meet the demands for coal transportation. The Board clearly has the authority to institute investigations on matters of public importance involving regulated rail carriers,⁷ and has not hesitated in the past to institute proceedings to address critical transportation issues of regional, or industry-wide significance,⁸

⁶ *Id* at 1.

⁷ See 49 U.S.C. § 721(b)(1) (granting the Board oversight authority over rail operations).

⁸ See, e.g., *Rail Fuel Surcharges*, Docket No. EP 661 (Notice served Mar. 14, 2006) (instituting proceeding to address railroad fuel surcharge practices) (“*Rail Fuel Surcharges*”); *Twenty-Five Years of Rail Banking: A Review and Look Ahead*, Docket No. EP 690 (Notice served May 21, 2009) (instituting a proceeding to address rail banking under the National Trails System Act) (“*Rail Banking*”); *Review of the Surface Transportation Board’s General Purpose Costing System*, Docket No. EP 431 (Sub-No. 3) (Decision served Apr. 25, 2009) (instituting a new sub-docket to address rail costing issues) (“*General Purpose Costing System*”); *Policy Alternatives to Increase Competition in the Railroad Industry*, Docket No. EP 688 (Notice served Apr. 14, 2009) (“*Competition Policy*”) (instituting a proceeding to address railroad competition issues); *Common Carrier Obligation of Railroads – Transportation of Hazardous Materials*, Docket No. EP 677 (Notice served Feb. 22, 2008) (instituting a proceeding to address railroad common carrier obligations) (“*Hazardous Materials*”); *Rail Capacity and Infrastructure Requirements*, Docket No. EP 671 (Notice served Mar. 6, 2007) (instituting a proceeding to address rail infrastructure issues) (“*Rail Infrastructure*”).

including those addressing wide-spread service failures in the western coal transportation marketplace.⁹

The Board's initiation of a formal proceeding addressing western coal transportation failures is particularly important because, as the Board has emphasized in the past, reliable coal transportation service is critical to the nation's economic and national security:

The Board views the reliability of the nation's energy supply as crucial to this nation's economic and national security, and the transportation by rail of coal and other energy resources is a vital link in the energy supply chain.¹⁰

The fact that this "crucial" supply chain is threatened requires formal and immediate investigation by the Board. *Accord Discussions with Utility and Railroad Representatives on Market and Reliability Matters*, FERC Docket No. AD06-8-000, 71 Fed. Reg. 33746 (June 12, 2006) (FERC institutes formal docket to address coal transportation service deficiencies threatening electric utility reliability in the west).

⁹ See *Rail Service in the Western United States*, Docket No. EP 573 (Decisions served Oct. 2 and October 16, 1997) ("1997 Rail Service"); *Rail Transportation of Resources Critical to the Nation's Energy Supply*, Docket No. EP 672 (Notice served June 6, 2007) ("2007 Rail Service")

¹⁰ See *Establishment of a Rail Energy Transportation Advisory Committee*, Docket No. EP 670 (Decision served July 17, 2007) at 2.

B. Hold a Public Hearing

Following the initiation of formal proceedings, the Board usually holds public hearings to address involved issues.¹¹ The Board should do the same here – and do so promptly – given both the urgency of the situation and BNSF’s prior representations to this Board.

BNSF represented to the Board last year that it was well positioned to provide reliable service in 2014,¹² but obviously the current problems in the western coal transportation markets demonstrate that BNSF has not been able to fulfill its representations. A public hearing will afford the Board – and the public – the opportunity to learn why BNSF has failed to follow through on its representations.

WCTL is particularly interested in obtaining BNSF’s answers to three critical questions: (i) why these problems came about; (ii) how long it expects the problems to last; and (iii) what it is going to do to fix it. To the best of WCTL’s knowledge, BNSF management has not publicly provided the Board, or its customers, with answers to these three basic questions. BNSF’s customers, and the Board, deserve answers – on the record.

In addition, a public hearing can assist the Board in developing the record necessary to determine whether it needs to take any formal remedial actions to assist coal

¹¹ See, e.g., *1997 Rail Service; 2007 Rail Service; Rail Fuel Surcharges; Rail Banking; General Purpose Costing System; Competition Policy; Hazardous Materials; Rail Infrastructure.*

¹² See Letter from then-BNSF CEO Matthew K. Rose to the Board members dated August 22, 2013.

shippers in desperate need of service and, if so, what actions would best assist coal shippers. *See, e.g., Joint Petition for Service Order*, Service Order No. 1518 (Decisions served Oct. 31 and Dec. 4, 1997, and February 25, 1998) (STB issues remedial service orders following public hearings on 1997 service crisis in the west).

C. Collect Service Data

Coal shippers need more information to assess the scope of the current problems and to determine whether any BNSF efforts to improve service can work. The Board clearly has the authority to order rail carriers to provide service related data that would help to answer coal shippers' informational needs.¹³

WCTL requests that the Board exercise its data collection authority and direct BNSF to publicly report at least the following information on a weekly:

1. Detailed information on implementation (including timing) of BNSF's service recovery plan, if any exists, insofar as it involves coal shippers;
2. The actual number of coal cars loaded and the number of coal cars requested to be loaded;
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

¹³ *See* 49 U.S.C. § 721(b)(3) (Board may obtain information from regulated carriers); 49 U.S.C. § 11145 (Board may obtain "special reports" from regulated carriers "containing answers to questions asked by it"); *Rail Service* (Decisions served Oct. 16 and Nov. 21, 1997) and *Joint Petition for Service Order*, Service Order No. 1518 (Decision served Dec. 4, 1997) (directing rail carrier to file weekly reports covering more than 20 operational categories in response to on-going rail service crisis).

7. Average cycle times for coal trains operating over any portion of the routes between mine origins in Wyoming and Montana and (a) Council Bluffs, IA; (b) Chicago, IL; (c) Minneapolis/St. Paul, MN and/or Superior, WI; (d) Kansas City, MS; and (e) Fort Worth, TX.

WCTL believes that the requested information also should aid the Board in its independent monitoring of the crisis and, in conjunction with the requested hearing, provide the Board with data it needs to determine whether to issue specific remedial orders.

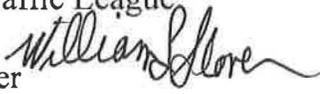
CONCLUSION

WCTL respectfully requests that the Board grant this Petition for the reasons set forth above.

Respectfully submitted,

WESTERN COAL TRAFFIC LEAGUE

By: Bette Whalen, President
Western Coal Traffic League


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Dated: March 24, 2014

CERTIFICATE OF SERVICE

I hereby certify that I have this 24th day of March, 2014, caused a copy of the foregoing Petition to be served by overnight delivery service upon:

Roger Nober
Executive Vice President, Law & Corporate Affairs
BNSF Railway Company
2650 Lou Menk Drive
Fort Worth, TX 76131


William L. Slover

McMillan Statement

Chairman Elliott and Vice-Chairman Begeman:

Good morning. I'm Dave McMillan, Senior Vice-President, External Affairs for ALLETE and Executive Vice President for Minnesota Power. I am appearing here today on behalf of the Western Coal Traffic League, and Minnesota Power. The Coal League is comprised of shippers of coal mined in the Western United States. Currently Coal League Members pay to transport approximately 140 million tons of coal annually.

ALLETE is a diversified energy company, headquartered in Duluth, Minnesota. ALLETE's principal operating division, Minnesota Power, generates, transmits and distributes electricity in a 26,000 square mile region in northern Minnesota to 144,000 customers, 16 municipalities and some of the nation's largest industrial customers. Coal is Minnesota Power's primary fuel source for its electric generation. The company currently operates three coal-fired plants that utilize approximately 5 million tons of coal each year. This coal originates at mines located in Wyoming and Montana and is transported by BNSF either in single-carrier, or joint-carrier, service.

Minnesota Power is a long-time member of the Coal League. I am joined here today by a second Coal League member, Bob Kahn. Bob is the General Manager of Texas Municipal Power Agency. Bob's remarks will follow

mine. On behalf of the Coal League, Minnesota Power, and TMPA, I want to thank the Board for holding today's timely and important hearing.

The Coal League has submitted two filings with the Board, one dated March 13, and a second dated March 24, that graphically depict the problems faced by many coal-fired utilities in recent months due to BNSF's ongoing service issues. These problems include:

- Precariously low stockpiles – often dipping below 10 days;
- Emergency trucking of coal; and
- Reduced coal-fired generation, and its replacement with higher-priced generation resources, resulting in increased wholesale and retail electric costs.

Minnesota Power has experienced all of these problems first hand.

- Our stockpiles at all three of our coal-fired plants dipped to dangerously low levels earlier this year, including levels as low as 4 days at our largest plant.
- We were also forced to begin emergency, high-cost trucking of coal we had in storage at the MERC dock in Superior, WI to our second largest plant at Taconite Harbor.
- We were forced to curtail generation, both last year and earlier this year and replace it with higher-priced purchase power.
- Overall, our customers have incurred approximately \$10,000,000 in additional electric costs due to BNSF's service failures to date.

These costs have been borne mainly by our large industrial customers. These customers, who operate global organizations and compete in international markets, include ArcelorMittal, United States Steel, Cliffs Resources, UPM Kymmene, Sappi, Gerdau Ameristeel, NewPage (who is here today) and others.

Other WCTL members have experienced similar problems. Bob Kahn will discuss TMPA's service problems, and three other WCTL members, Kansas City Power & Light Company, Wisconsin Public Service Corporation and Western Fuels Association, Inc., have asked me to briefly describe their current service problems to the Board.

- Kansas City Power & Light Company's BNSF-served stations have experienced cycle times in 2014 that are between 27% and 39% longer than comparable times in 2013, with performance worsening steadily from the Fall of 2013. Coal inventories at the BNSF-served plants have not been at target levels since July 2013, and have decreased precariously over the past 7 months. Actual BNSF deliveries during this period have been as much as 22% lower than nominations.
- Wisconsin Public Service Corporation's Weston station is served by UP and CN. At the start of December 2013, coal inventory was at 107% of target levels. By year end, it had fallen to 72%. It kept falling in 2014, so that by March, Wisconsin Public Service had to reduce burn in order to prevent inventory from reaching zero. Over the same December to March time period, tons delivered by UP/CN fell short of nominations by more than 375,000 tons and transit times increased from 176 hours to 372 hours.

- Western Fuels purchases coal transportation for several BNSF-served cooperative utilities. WFA reports that BNSF's current cycle times are up to 50% higher than historical averages; stockpiles at many plants are extremely depleted; several of its member companies have had to engage in very expensive coal service mitigation measures, including emergency coal trucking and generation curtailment; and, unless BNSF service improves soon, even with conservation efforts, some of its members may run out of coal this summer.

While the unfortunate and costly results of BNSF's service failures are well known to utility coal shippers, what is far less clear to Traffic League members is:

- Why did these service problems occur?
- What are the carriers doing to fix them? and
- How long will they last?

We will be listening with great interest to hear the carriers' responses to these three basic questions. The Coal League also requests that the Board take four immediate steps:

- First, direct BNSF to publicly submit on a bi-weekly basis the coal service data we identified in our March 24th filing.
- Second, direct BNSF to publicly submit a specific service recovery plan, along with periodic bi-weekly progress reports.
- Third, closely monitor developments and exercise its broad authority, as necessary, to issue specific remedial service orders.

- Fourth, collect 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.

WCTL may supplement the record with additional specific requests following today's hearing.

Finally, at Minnesota Power, we try to approach problems with creativity and optimism; I want to end my comments in that spirit. Minnesota Power has had a long relationship with BNSF that dates back to 1968. We were BNSF's first western coal unit train shipper, and we have enjoyed a long and mutually beneficial partnership with BNSF. In recent years, Minnesota Power and BNSF have been proactively looking for ways to address the infrastructure side of service issues. For instance, we are working together in energy rich and energy friendly states like North Dakota to support new investments aimed at reducing congestion with new infrastructure. We are also exploring loop track enhancements at our largest station.

During the recent service crisis, we have been in constant communication with BNSF concerning its service problems, and the impact of these problems on our operations and on our customers. BNSF has made its people available to us – from the CEO down. For example, BNSF's Chief Marketing Officer, Steve Bobb, traveled to Duluth in February and spent half a day with our largest electric customers, explaining the current situation. So, while BNSF has listened to us, and has taken some steps this year to address its problems, they still have a long way to go.

Like all successful long-term relationships – sometimes one partner needs to hear frank feedback from the other.

Providing that feedback is my primary purpose for being here today. Electric consumers in Northern Minnesota depend upon Minnesota Power and BNSF for reliable and affordable electric service. It is up to us—and this Board—to assure that our customers’ energy needs and expectations are met.

I thank the Board for the opportunity to participate in this important hearing and am happy to answer questions or provide further information.

Rail Service in the United States

STB Ex Parte No. 724

April 10, 2014

STATEMENT OF BOB KAHN General Manager, Texas Municipal Power Agency

Chairman Elliott and Vice-Chairman Begeman, my name is Bob Kahn. I am the General Manager of Texas Municipal Power Agency ("TMPA"). 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 1.57 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 a year ago, TMPA had a full coal pile with nearly 60 days inventory at Gibbons Creek. Today, TMPA's coal inventory is below 10 days based on normal operational parameters, and the inventory continues to decline. Our stockpile is obviously influenced by generation requirements, and last year TMPA generation increased 18%. We had anticipated that 2014 would see a generation increase of 33%, but that is obviously in jeopardy.

In any event, BNSF's service began its persistent decline in May 2013. BNSF regularly struggles to provide locomotives, crews, and rail cars in adequate amounts to move our coal needs. On two occasions, December 2013 and April 2014 (just days ago), when inventory levels dropped below 10 days, TMPA filed DOE (OE-417) reports declaring fuel supply emergencies. The OE-417 notice is filed when the utility believes that fuel supply difficulties could impact electric power system adequacy or reliability.

Simply put, TMPA is facing a real possibility of running out of coal mid-summer when the ERCOT grid and our Member Cities' residents need our electric output the most. The harsh

reality is that TMPA will be forced to either shut down the plant or significantly curtail its production. In turn, TMPA's members will be forced to buy much more expensive power off the grid, which means potentially millions of dollars in extra costs to TMPA's consumers. It's also possible that BNSF's service issues may threaten the availability of electricity across ERCOT. As a side note, 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 during the summer months in Texas. Those consequences could be significant, painful and headline-making news.

What is most disconcerting is that no resolution of BNSF's problems seem imminent. In fact, in our experience, BNSF says all the right things, but falls short in execution. For example, at a BNSF coal meeting last fall one executive after another stated to the attendees that they were not happy with their railroad's performance and that they would improve service, but service has actually gotten worse since then.

BNSF's cycle time performance dropped by 15% in 2013. Consequently, BNSF came up 84,000 tons short of our total nominations, which left us with only 15 days of coal on the ground. Even if BNSF somehow manages to "right the ship" and deliver the balance of the coal we nominated this year, our stockpile will still be below 15 days.

TMPA's is also concerned that planned construction and maintenance activities on BNSF will further impact service right before the summer months. Specifically, the Tower 55 construction project in Fort Worth, is forcing TMPA's loaded trains to be routed via Kansas City – a longer route than BNSF normally uses – and then return to the mines by another longer route. The rerouting also requires shorter trains. To minimize the impact of the Tower 55 project, in December, on the advice of a BNSF executive, we requested that BNSF increase our first quarter 2014 deliveries to build up our coal pile in anticipation of the slower cycle times resulting from the Tower 55 project. Despite its own suggestion, BNSF has failed to deliver on TMPA's request. BNSF has delivered approximately 112,000 tons less than our December nomination for January through March and missed the mark by 66,500 tons in March alone.

In light of BNSF's service problems, TMPA's Member Cities have already spent hundreds of thousands of dollars to deploy energy conservation methods, which preclude Gibbons Creek from running on an economical basis in order to minimize coal burn and build inventory. But as soon as TMPA enacts coal conservation measures, BNSF pulls train-sets from our service and sends to other customers in worse situations, jumping from problem to problem. As an example, BNSF pulled a train from TMPA the day after a meeting with them discussing our dire situation.

On the upside, BNSF has communicated well, and in recent weeks it has seemed to focus more on the seriousness of TMPA's situation, including delivering a plan to put four trains in TMPA – the bare minimum given BNSF's current performance. However, with slower cycle times there is no margin for BNSF system interruptions (i.e., flooding, derailments, unplanned track outages, etc.) or generation output increases if the summer demands are higher than normal.

TMPA has not just pressed BNSF to improve. TMPA has also asked BNSF to consider other remedial measures that might help TMPA. Specifically, on March 11th, TMPA requested that BNSF grant permission for us to pursue alternative service with Union Pacific and place TMPA-leased coal cars in service, but BNSF has failed to provide a written response. Instead, BNSF continues to reassure us "TMPA will not run out of coal," and that it would like the opportunity to solve this problem. While BNSF's cooperative efforts are appreciated, coal is desperately needed.

I understand the Board has considerable power and discretion to aid shippers when severe service issues arise. As Mr. McMillan mentioned, WCTL has several specific requests for the Board with respect to data collection from BNSF. TMPA also urges the Board to consider any other actions it believes will aid all of the shippers impacted by BNSF's service crisis. On behalf of TMPA, its Member Cities and WCTL, I thank you for allowing us this opportunity to testify today. Mr. McMillan and I are happy to answer any of your questions.