



**CANADIAN  
PACIFIC**

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April 18, 2014

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

The Honorable Ann D. Begeman, Vice Chairman  
United States Surface Transportation Board  
395 E Street, S.W.  
Washington, D.C. 20423

Re: *STB Docket No. EP 724-1*

Dear Chairman Elliott and Vice Chairman Begeman:

I am writing in response to concerns expressed in the Board's order of April 15, 2014, regarding Canadian Pacific's (CP) delivery of fertilizer shipments for spring planting of U.S. crops, in particular for destinations in the Midwest Upper Plains served by CP.

We are communicating with customers and were a little surprised by the order's direction because CP has a relatively small presence in agricultural fertilizer and plant nutrients in the Dakotas, Iowa and Minnesota. We estimate our share of this overall market is about 10%. For example, this year with the delayed start to the application season with the late winter, we have moved a total of 2950 carloads of fertilizers and plant nutrients to these markets. Given these volumes, CP does not expect to have a significant challenge in meeting the emerging needs in the fertilizer market for these States.

For CP, this business is seasonal and varies from year to year. The average number of cars shipped per day for each state associated with the order in a typical year is:

- Iowa = 8
- North Dakota = 13
- South Dakota = 1
- Minnesota = 27

There are other characteristics of the rail transportation market place for fertilizers and plant nutrients in these States that make it near impossible for CP to give guidance on what will be moving over the coming months. The vast majority of this traffic moves in cars supplied by customers. As a result, we do not have visibility on demand beyond when a car is tendered to the railway. And as a residual player in this market, CP understandably does not hold significant assets to protect seasonal business that for us is episodic. In addition, much of this traffic comes to us over interchanges where, again, we do not have visibility on what can be expected until presented by another carrier.

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There are other contextual items that are also important to note here. The phosphate line of business has been impacted by lingering Chicago congestion related to the extraordinary winter weather which the railroad witnesses described at the April 10 hearing. For CP, phosphate moves over those interchanges in the Chicago Terminal. In regard to anhydrous ammonia, all existing storage in local distribution centers is full. These tanks will not be emptied until shipments are made to the farm gate and we currently have virtually no moves of anhydrous ammonia for agricultural fertilizer on our railroad. As an example, one large receiving location in North Dakota has had no billings in Q1 versus several hundred this same time last year. Other receiving customer locations have very high destination car dwell before unloading, some in excess of thirty days.

CP understands the urgency of moving last year's grain harvest out and moving fertilizer and nutrients in for the next planting season. CP is committed to doing its part. We anticipate that relief from extreme winter and easing of congestion in Chicago will result in lower transit times for all shipments, including these shipments. In addition, CP has taken the following steps with respect to agricultural fertilizer:

- Heighten the visibility for agricultural fertilizer shipments at the field operational level;
- Accept private cars for seasonal phosphate business; and
- Implement a new train pair from Canada to the United States, which will support both grain and fertilizer service.

We will continue to update the Board and share information on a weekly basis during our calls with the Board's staff, in particular as relates to grain traffic and the situation in the Chicago Terminal. We believe that the dialogue between the Board and CP is productive, and is warranted for those commodities. Given the above as it relates to agricultural fertilizer however, I request that CP not be required to report weekly on fertilizer volumes.

As I stated during my appearance last week, Canadian Pacific and its employees are committed to turning things around as safely and as quickly as possible. We will do this by running our operating plan and getting back to normal operating conditions as soon as possible. We are ready to move fertilizer and plant nutrients as they are presented to the railway. As I stated at the hearing, CP's service issues are principally related to congestion in Chicago, and will improve for all traffic as Chicago recovers in the coming weeks. Overall system recovery related to the extraordinary conditions remains our number one priority.

Sincerely,



Keith Creel  
President and Chief Operating Officer  
Canadian Pacific