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CF Industries, Inc.

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January 9, 2007

Vernon A. Williams, Secretary
Surface Transportation Board
1925 K Street, N.W.
Washington, DC 20423

Re: Ex Parte No. 646 (Sub No. 1), *Rail Rate Challenges in Small Cases*

Dear Secretary Williams:

CF Industries, Inc. is a major producer and distributor of nitrogen and phosphate fertilizer products. CF Industries operates world-scale nitrogen fertilizer plants in Donaldsonville, Louisiana and Medicine Hat, Alberta, Canada; conducts phosphate mining and manufacturing operations in Central Florida; and distributes fertilizer products through a system of terminals, warehouses, and associated transportation equipment located primarily in the Midwestern United States.

CF Industries, Inc. is submitting this letter regarding rail rate challenges in small cases because of our serious concerns with the Board's proposals. Previously we have participated in this proceeding in conjunction with our trade association, The Fertilizer Institute, and by submitting an individual statement. We feel it necessary to express our concerns directly to the Board again because of the impact rail transportation costs have on our business.

We have three manufacturing plants that are captive to the railroads serving them. As rail traffic has increased, leading to capacity constraints within all Class I railroads, the railroads have increased rates to unprecedented levels, claiming their rate increases are "market based." The market in which they operate is not a true "free market" in the economic sense of this phrase primarily because, unlike a true free market scenario, we do not have viable transportation alternatives.

The Board's proposals make it less likely that any small rate challenges will occur. If the Board is truly interested in improving the proposals, it needs to:

- Abandon the Simplified-Stand Alone Cost (SSAC) approach. It is far too complex, costly, and time-consuming.
- Focus on refining the Three-Benchmark Approach. At a minimum, shippers need for the timeframe resolution to be reduced to 180 days, the eligibility requirement to be increased to $500,000 per year, and all traffic, including contract traffic, be made available for any analysis of "comparable" traffic.

Without these changes, we believe the Board has fallen far short of its goal of ensuring effective regulatory rate protection for captive shippers. In fact, the Board may have made the current bad situation even worse.

Consequently, CF Industries feels very strongly that the Board should move toward an arbitration approach for rail shippers to use in challenging excessive rail freight rates. An arbitration process with proper procedural guidelines would be far more effective in resolving small rate case challenges and would benefit all the parties concerned. As it stands now, even with the Board's latest proposal, we do not feel that shippers have a viable means of challenging excessively high rates.

Respectfully submitted,

Ken Zintak
Manager, Transportation
CF Industries, Inc

Cc: All parties of record