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**Occidental Chemical Corporation OxyChem.**  
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**Stacy L. Palmatary**  
Vice President - Supply Chain

January 10, 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:

I am submitting this letter on behalf of Occidental Chemical Corporation (Oxy) in the above-referenced rulemaking to express our concerns with several aspects of the Board's proposals. To date, we have previously submitted initial comments; however, we would like to take this additional opportunity during the rebuttal period to re-emphasize some concerns and comment on others.

The need for meaningful regulatory protection against unreasonable rates on our "captive" rail traffic is critical. This need has become more urgent as capacity constraints are allowing railroads to impose sizeable rate increases on rail traffic. While the railroads claim that the increases are the result of the market at work, the result is market dominance by the railroads. Oxy is very dependent on the railroad system to move its products and today has essentially no recourse to combat railroad abuse of "excessive market power".

The proposed eligibility thresholds for small rate cases are entirely unrealistic. As previously documented, 85% of our spend represents moves that have greater than a 180% RVCR. This means that 85% of our spend would be a candidate for the simplified stand alone cost case proceeding. However, by limiting the eligibility to a maximum of \$3.5MM aggregate that can be argued in a 24 month period, only 1% of our spend would be allowed to be presented as a small rate case.

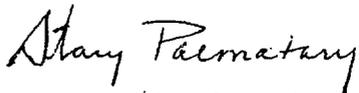
The Simplified Stand-Alone Cost (SSAC) procedure is also unrealistic and not a viable solution. Oxy requests that the proposed method for medium shippers (SSAC) be eliminated in its entirety and the Three Benchmark method be streamlined and clarified to be used by all non-coal shippers. Ideally, thresholds need to be removed altogether since the remedies available will either be for coal shippers or non-coal shippers. However, if the Board feels it is important to clearly define the difference, Oxy recommends raising the threshold to \$20MM.

Finally, the railroads advocate the automatic exclusion of all contract traffic, which they contend is not "comparable" to traffic that moves under tariff. However, in our experience that is not true. We have commodities that move under both contract and tariff rates and there is very little, if any, difference in nature of or demand for the transportation or the service provided.

Occidental Chemical Corporation strongly urges the Board to abandon its SSAC proposal and to focus on its proposed refinements to the Three Benchmark method. Adoption of SSAC would leave small case shippers in a worse position than exists today, a result that is completely at odds with the stated purpose of this rulemaking.

Respectfully submitted,

Stacy Palmatary

A handwritten signature in cursive script that reads "Stacy Palmatary". The signature is written in dark ink and is positioned below the typed name.

cc: All parties of record