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1875 CONNECTICUT AVE., N.W.
SUITE 1200
WASHINGTON, D.C. 20009-5728
(202) 986-8000
FACSIMILE: (202) 986-8102

E-MAIL ADDRESS: MICHAEL.MCBRIDE@LLGM.COM

WRITER'S DIRECT DIAL: (202) 986-8050

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April 2, 2007

VIA ELECTRONIC FILING

Mr. Vernon A. Williams, Secretary
Surface Transportation Board
395 E Street, S.W.
Washington, DC 20423-0001

Re: STB Ex Parte No. 661 – Rail Fuel Surcharges

Dear Mr. Williams:

In accordance with the Board's Decision served January 26, 2007, in the above-referenced proceeding, enclosed for filing is "Comments Edison Electric Institute."

Respectfully submitted,


Michael F. McBride

Attorney for Edison Electric Institute

Enclosure

SURFACE TRANSPORTATION BOARD

Ex Parte No. 661

RAIL FUEL SURCHARGES

COMMENTS OF EDISON ELECTRIC INSTITUTE

Pursuant to the Board's Decision served January 26, 2007, in the above-referenced proceeding, Edison Electric Institute ("EEI") hereby submits its comments. EEI is the association of U.S. shareholder-owned electric companies. Our members serve 95% of the ultimate customers in the shareholder-owned segment of the industry, and represent approximately 70% of the U.S. electric power industry. We also have as Affiliate members more than 65 International electric companies, and as Associate members more than 170 industry suppliers and related organizations. Coal provides more than 50 percent of the current fuel used for the production of electricity and is expected to do so for the foreseeable future. Most of that coal moves from mine to power plant in whole or in part by rail.

EEI takes this opportunity to commend the Board for its decision, as far as it went. Specifically, the Board should be commended for finding that (a) railroads have overcharged for fuel, (b) it is "double-dipping" to charge for fuel via both the adjustment mechanism applied to a rate, and via a fuel surcharge, (c) that a fuel surcharge, if appropriate, must be mileage-based, and (d) railroads must file information monthly with the Board about the price of the fuel used, the volume of fuel used, and the total cost of fuel.

However, the Board should have gone further. The Board should have directed use of a single index, so that there would be both (a) clarity (for the benefit of all parties, to avoid further disputes or litigation) and (b) consistency between and among railroads participating in joint hauls (so as to prevent disputes between the carriers concerning recovery of the total costs of fuel

consumed in the haul). In this respect, EEI endorses the dissent of Vice Chairman Buttrey, and urges the other two Commissioners to reconsider their votes and endorse a single index, for the reasons stated herein and by Vice Chairman Buttrey.¹

Moreover, the Board should require that a single, objective source of railroad route miles be published, so that there is not confusion over such seemingly uncomplicated matters.²

EEI also believes that the Board should require the railroads to report their *total* recovery of fuel costs, whether by (1) adjustments to base rates, (2) RCAF or other rate-adjustment mechanisms, or (3) fuel surcharges. In 2006, for example, Norfolk Southern Railway Company ("NS") "rebased" its existing rates to adjust for fuel costs as if crude oil cost \$64/barrel, and announced that it would impose a fuel surcharge if the price of oil were above \$64/barrel. When NS did so, that seemingly meant that "rebased" rates charged by NS included the entire cost of diesel fuel, because crude oil is now, and has been for several months, below \$64/barrel.

In any event, whether NS did or did not recover *all* of its fuel costs through "rebasings" of existing rates in 2006, NS and each other railroad should be obliged to report, as part of the total revenues associated with recovery of fuel costs at each such railroad, not only its revenues associated with *direct* recovery of fuel costs, but also its *indirect* recovery of those costs through "rebasings" of its existing rates. Otherwise, the Board would effectively be permitting "double-dipping" through yet another means.³

¹ EEI does not claim to know which single index is best, and therefore would endorse the use of any single index that the Board deems appropriate, such as the DOE EIA Index discussed by Vice Chairman Buttrey. The point is less about achieving perfection (which may be unattainable, in any event) and more so about achieving clarity, consistency, and a resolution of the acrimony that has developed between and among carriers and shippers over this issue.)

² Among the reasons that disputes arise over route miles is the fact that railroads, for their own reasons, often route cars or trains over a longer route than is necessary. Accordingly, it may be necessary, in the interests of resolving matters without undue cost or complexity, to adopt a single, objective, system of determining route miles, such as the use of the ALK system that is part of the Board's Waybill Sample.

³ This would not constitute a challenge to the lawfulness of existing rebased rates on NS, but rather a means of assuring the Board that NS is not "double-dipping." Accordingly, there would be no issue under the Interstate Commerce Act whether the Board could take this action, because the Board would not be making a determination about the lawfulness of rebased rates without the filing of a rate complaint and a determination of market dominance (as the statute requires)..

Also, the Board should have provided a simplified and expedited mechanism for parties to seek relief for over-recovery of fuel costs, under tariff movements. Lest any party wonder why EEI would advocate that railroads should not over-recover for their fuel costs, and that there should be a mechanism for recovering overcharges on tariff movements, EEI and its members believe that recovery of fuel costs, but not over-recovery, is appropriate for any American business, especially one such as the railroads, with their enormous market power.

The last point cannot be stressed enough. There is a widespread perception that large companies such as utilities or other rail shippers are fully capable of protecting their interests with the railroads, because the firms are all large and have the resources to do so. That is completely flawed logic. If one entity has unrestrained market power over the other, there is no way that the party without the market power can protect itself; that is the very reason that the Congress retained protection for shippers in the Staggers Rail Act of 1980, and in the Interstate Commerce Commission Termination Act of 1995. Accordingly, there is no substitute for the Board to regulate the railroads in circumstances such as those that led to this proceeding. The very fact that railroads could systematically, and substantially, over-recover for their fuel costs is vivid proof of their market power, and the abuses of it that the railroads have committed.

Conclusion

EEI commends the Board for the steps it has taken thus far in this proceeding, except that it urges the Board to reconsider its decision not to require use of a single index by all railroads, to provide a simple means by which the mileage on any given route is determined to avoid controversies, to require railroads to report the recovery of their total fuel costs by whatever means (including rebasing of existing rates) so as to ensure that the railroads are not overrecovering for the costs of their fuel, and to create a simplified and expedited mechanism for recovery of amounts by which shippers were overcharged for tariff movements.

Respectfully submitted,



Michael F. McBride

Ahren S. Tryon

LeBoeuf, Lamb, Greene & MacRae LLP

1875 Connecticut Avenue, N.W., Suite 1200

Washington, DC 20009-5726

(202) 986-8000 (Telephone)

(202) 986-8102 (Facsimile)

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Attorneys for Edison Electric Institute