

National Coal Transportation Association

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Thomas C. Canter
Executive Director

August 20, 2007

VIA ELECTRONIC FILING

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

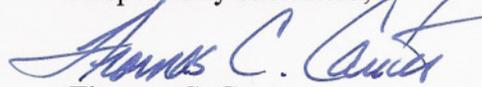
**Re: *STB Ex Parte No. 672 – Rail Transportation of Resources Critical to
the Nation’s Energy Supply***

Dear Secretary Williams:

The Comments of Thomas C. Canter, Executive Director, on behalf of the National Coal Transportation Association (NCTA) is submitted under the extended period for comments to the open record after the hearing in the above referenced proceeding. These comments are a brief clarification and response to an answer given by Randall Rahm on behalf of Ethanex Energy, Inc. in response to a question by a Commissioner. There was no opportunity to respond at the hearing.

Neither Mr. Canter nor the National Coal Transportation is a Party of Record, but Mr. Canter was in attendance at the hearing and is responding to comments on the video/audio record. The official transcript is not known to be available to the public at this date.

Respectfully submitted,



Thomas C. Canter
Executive Director

**BEFORE THE
SURFACE TRANSPORTATION BOARD**

Ex Parte No. 672

**RAIL TRANSPORTATION OF RESOURCES CRITICAL
TO THE NATION'S ENERGY SUPPLY**

**COMMENTS OF THE EXECUTIVE DIRECTOR
OF THE NATIONAL COAL TRANSPORTATION ASSOCIATION**

STATEMENT OF INTEREST

The National Coal Transportation Association (NCTA) is a nonprofit association of coal producers, coal consumers, and providers of transportation-related products and services.

NCTA has a stated two-fold mission to provide education for its members and the general public, and to cooperatively resolving challenges and issues in the coal transportation industry. We are involved with all modes of coal transportation and seek to achieve our goals for the public benefit by conducting conferences and seminars and facilitating standing working committees with input for all segments of the coal transportation industry. NCTA has 143 corporate and business entities as members with operations throughout the United States and Canada.

COMMENTS

These comments are limited to clarifying and providing some additional facts for the record as a response to the oral testimony on behalf of Ethanex Energy, Inc. presented by Mr. Randall Rahm. At the end of the scheduled hearing, Mr. Rahm was queried by Commissioner Mulvey as to the Commissioner's understanding of Mr. Rahm's prior involvement with coal dust mitigation and asked for his comments on the subject. Mr. Rahm was prepared to comment on coal transportation even though his filed testimony and prepared oral testimony represented the biofuels industry. Mr. Rahm is well-known and respected as an experienced executive in both the coal production and the coal consumption industries. He cooperated with the BNSF Railway in the early summer of 2005 after the double derailments on the Joint Line to test the application and effectiveness of spraying a chemical encrusting agent on the unit trains of his then employer, Westar Energy. The BNSF reported to the attendees of the NCTA Fall Conference in September

2005 on their spraying and load profiling tests. Subsequently, the NCTA Board of Directors asked the BNSF for the opportunity to review and evaluate and provide input for the ongoing studies. The BNSF agreed to this request and allowed the NCTA to choose the chairpersons of three committees specified by the BNSF. There were several meetings of the Ballast Fouling Mitigation Group from the late fall of 2005 through September of 2006. NCTA chose Mr. Rahm to chair the Spraying Effectiveness Committee because of his experience with top spraying and coal handling at mines and power plants. Mr. Rahm left Westar for employment with Ethanex Energy, Inc. prior to completion of the studies. The final report was developed by his successor as subcommittee chairman, Mr. Larry Siler of Midwest Generation.

OBSERVATIONS AND FACTS

- Mr. Rahm left his position before the final report of the joint Ballast Fouling Mitigation Committee's Subcommittee on Spraying Effectiveness was completed. The final report raises serious issues regarding the insufficient sample population and methodology to statistically validate coal losses from the tops of cars or from the bottoms and sides of railcars. The test results of dust reduction from the tops of cars have been presented on a qualitative basis and not on a quantitative basis.
- Mr. Rahm stated that the data collected by the BNSF was shared with the NCTA. It should be noted that all the data was not shared and certain data has been

specifically withheld. The BNSF's target of a 95% reduction referred to by Mr. Rahm is arbitrary and without a known and measurable baseline.

- No cost/benefit analysis has been made public that compares the additional cost of spraying with the cost of more undercutting and other ballast maintenance. Data on the cost of regular maintenance of the ballast has not been shared with the Ballast Fouling Mitigation Committee. Coal particulates are not the exclusive cause of ballast fouling. Fouling is also caused by dirt, plant life decay, the breakdown of the ballast and concrete ties due to mechanical forces, brake shoe dust, diesel soot, and traction sand. No specific tests were conducted during the 2005-2006 study to show the actual effects of fouling that is directly attributed to coal particulate in the ballast.
- Utility stockpile inventories conducted at various utility power plants over many years by various methods do not reflect the coal transportation losses from the mine as being significant and do not show the losses indicated by the initial study.
- While Mr. Rahm used some cost figures, the cost per railcar of chemical spraying is still uncertain and unknown when all costs of capital, maintenance, labor, and water and material are included. Early estimates are that this will be an extremely expensive proposition if applied on all cars loaded under all weather conditions. The Powder River Basin area of Wyoming and Montana is arid and Gillette, WY is under mandatory water use restrictions. The use of additional water from the underlying aquifers will need to be considered carefully.

- Early test results of the BNSF study show a variation of effectiveness from train to train in qualitative coal dust reduction with spraying. The one test that indicated around 95% reduction in dust used seven gallons of chemical with 29 gallons of water per car. This is a significant daily requirement for water. Other reported data for different chemical agents and lower amounts of water show reduced benefit. NCTA has no data from tests conducted by the railroads to reduce ballast fouling attributed to coal dust from railcars loaded with western coal completed prior to the summer of 2005.
- Mr. Rahm's oral testimony implies that proper required maintenance by the railroads will reduce deliveries and capacity margins by such an amount as to require utilities to derate power plants or buy electricity on the electrical grid. This additional cost to utilities was alleged to offset the increased and perpetual cost of top spraying. NCTA is not aware of any publicly-available data that shows proper maintenance of the Joint Line will guarantee a capacity shortage. The recent improvements to the track configuration with increased distance between tracks will facilitate maintenance of adjacent tracks without significant degradation of capacity over a reasonable time period. Indeed, the railroads delivered a record level of tonnage in 2005 (although the delivered tonnage was less than utility demand) while concurrently making major repairs and maintenance on the Joint Line.
- Mr. Rahm's characterization of the cost of spraying every car as analogous to purchasing an insurance policy is flawed. Utilities maintain stockpiles of coal to

protect against service disruptions of all kinds, balancing the financial cost of holding that inventory against the potential cost of a supply failure. Spraying would provide no guarantee that additional service disruptions would be avoided considering coal particulates, as noted previously, are not the sole source of ballast fouling.

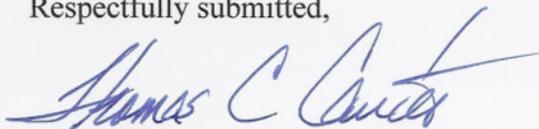
- The Joint Line and Southern Powder River Basin Coal Fields are a major success story in producing and delivering energy to an ever increasing demand for electric energy. The Joint Line delivered 3.3 billion tons of coal in the 13 years of 1993 through 2005. This is 2.8 times the total tonnage delivered in the 17 years of 1978 through 1984 or almost 3.9 times the total tonnage delivered in the eight years of 1985 through 1992. It is obvious that the maintenance level of the right of way will be increased and will remain at higher levels for the foreseeable future.

NCTA ACTION

From the outset, the NCTA has been actively engaged in finding a viable solution to the ballast fouling problem. Recommendations of the load profiling committee in conjunction with the BNSF resulted in redesigned and installed coal loadout chutes at 30 of the 31 loadouts in the PRB. The redesigned chutes develop a lower profile above the top sill of the railcar. Test data has shown this chute design to provide an estimated reduction in particulate emissions of 40 to 70%. The coal producers, with the cooperation of several utilities, also initiated a program to produce a larger top size in the coal consist that inherently reduces the coal fines loaded into the railcars by up to 30%.

In accordance with the mission statement of NCTA, we have initiated an educational and forward-looking study to investigate the origin and mitigation of coal deposition from rail cars. The purpose is to engage in a sincere effort to mitigate ballast fouling from coal deposition in a cost effective method. The study will investigate coal production processes and specifications, sources and locations of coal losses from the railcars, railcar maintenance and design, a cost/benefit analysis of various recommendations, coal loading procedures, and an analysis of the availability and permitting requirements for water resources in the PRB. The study will seek answers to outstanding questions, encourage “out-of-the-box” thinking, and pursue innovative solutions. We do not believe that a premature mandate for a specified course of action will lead to the most effective result. Our goal is to recommend scientifically-defendable courses of action that will benefit the entire coal transportation industry, the local community, and the electricity consumers. Contracts for the study are being finalized and funding for the study has been secured through voluntary donations from NCTA members. The engineering study is planned to be completed by the spring of 2008.

Respectfully submitted,

A handwritten signature in blue ink that reads "Thomas C. Canter". The signature is fluid and cursive, with the first name "Thomas" and last name "Canter" clearly legible.

Thomas C. Canter
Executive Director
National Coal Transportation Association