

Minutes
Rail Energy Transportation Advisory Committee
September 17, 2008

Rail Energy Transportation Advisory Committee (RETAC) convened at the Surface Transportation Board (STB) offices in Washington, DC, on September 17, 2008. Jeff Wallace and Alan Shaw, co-chairs, called the meeting to order at 9:00 a.m. The meeting agenda and copies of documents presented during the meeting are attached separately to these minutes.

STB Chairman Nottingham, Vice Chairman Mulvey, and Commissioner Buttrey welcomed the committee including the new members who had replaced members who had changed job assignments to other positions in their careers. An updated list of committee members with contact information will be circulated.

Minutes of the RETAC meeting on June 12, 2008, were approved.

Committee treasurer David Rohal reported that before paying for lunch, the committee fund held \$2,769.

The meeting was dedicated to several presentations and sub-committee discussions. Presentation documents are attached.

Lance Grenzeback of Cambridge Systematics provided an overview of the 2007 National Rail Freight Capacity Study. The study was based on straight-line assumptions on economic growth, modeling future train volumes on major rail corridors.

The model included factors such as the number of tracks, the number of trains, the signal system, and then produced estimates of the line capacity investment requirements required to make capacity available for an acceptable level of service, based only on the cost of infrastructure, not real estate, equipment, or terminal costs.

Based on a host of assumptions, including no modal shift to railroads and highway-standard design assumptions, the study concluded that \$148B of capacity investment in railroads was required to maintain an adequate rail network, approximately \$50B more than the study concluded railroads could reasonably be expected to invest. The study did not determine the cost to cover peak volume.

Committee co-chairman Jeff Wallace of the Southern Company provided current feedback on rail performance from a survey of seventeen coal receivers, primarily utilities. Coal receivers report that service performance has improved significantly compared to several years ago. Almost all receivers report timely deliveries with railroads providing adequate resources to supply the market demand. Approximately half the receivers report that they feel they are receiving appropriate value for the cost of transportation. In short, Wallace reported general satisfaction with service and general anxiety about pricing.

Co-chairman Alan Shaw of Norfolk Southern led a discussion of issues impacting steam coal supplies in the eastern half of the U.S. Shaw reported that demand for coal increased by

1.7% while eastern supply fell 1%. With exports up 64% and imports down 15%, stockpiles at southeast utilities have fallen to below average levels. Shaw sees some test moves of Illinois Basin coal to eastern utilities but more to export. Powder River Basin coal seems to be taking up the slack for supply issues in Central Appalachia caused by labor, equipment, regulatory, and reserve limitations.

David Heymsfeld, staff director of the House Committee on Transportation and Infrastructure, reported on the status of the current legislative agenda. With one more week left in the current session, work is progressing on reconciling the House and Senate versions of the Amtrak and safety bill with a program to provide \$500M to states for infrastructure and equipment, including the ability to address chokepoints where Amtrak uses freight railroads.

Looking forward, Heymsfeld noted the Highway and Transit Trust Fund would need to be addressed next year. The present tax structure doesn't support existing highway and transit programs.

Each of the sub-committees provided short updates on work in progress. Henry Rupert, chairman of the sub-committee on capacity planning, said the committee was wrestling with the nature of railroad reserve capacity to deal with sourcing shifts and spikes in demand. The committee sees a growing need for flexibility when railroads are inherently relatively rigid networks. The committee plans additional face to face meetings to develop a white paper with discussions yet to come on infrastructure investments to benefit coal shippers and receivers.

Betsy Monseu, chairman of the sub-committee on performance measures, said that no strong consensus has emerged on the most useful data, but that the sub-committee recognized that a dashboard of metrics from publicly-available sources was desired.

Susan Arigoni said the subcommittee on best practices was maintaining alignment with the other sub-committees. Ed McKechnie gave a short report on the communications subcommittee.

Diane Kearney of the Energy Information Administration, an independent agency of the Department of Energy, summarized the Annual Energy Outlook for 2008 which projects that coal will remain the primary domestic source of energy with demand continuing to increase.

Committee members were asked to forward agenda items for the next meeting to the committee co-chairmen.

The next RETAC meeting will be Tuesday, December 2, at 9:00 a.m., at STB headquarters in Washington, DC.