

Meeting Minutes
Surface Transportation Board
Rail Energy Transportation Advisory Committee
September 22, 2016
Washington, DC

The Surface Transportation Board's (STB) Rail Energy Transportation Advisory Committee (RETAC) convened at STB Headquarters in Washington, DC on September 22, 2016. Co-Chairmen Darin Selby and Rob Hardman called the meeting to order at 9:00 a.m. The meeting agenda and copies of referenced documents presented during the meeting are available on the STB's website at:

<https://stb.dot.gov/stb/rail/retac.html>

Meeting Attendance

Surface Transportation Board:

Daniel R. Elliott III, Chairman
Deb Miller, Vice Chairman
Michael H. Higgins, Acting DFO

RETAC Members:

Darin Selby	Dan Sabin	Rob Hardman
Paddy O'Neill (for Mark Hamilton)	John Gray	Robert W. Guy
Garrick Francis (for Donna Cerwonka)	Tony Reck	George Duggan
Brad Hildebrand	Robert Hulick	Mark Huston
Jill Harrison	Lee K. Johnson	Edward McKechnie
Amy Newton	Barbara Porter	Scott Teel
Dan McLaughlin	Scott Yaeger	Tom Scargle
John Wagner (for Dennis Rackers)		

Meeting Content

Darin Selby welcomed the committee and turned the floor over to Rob Hardman. Rob thanked the committee for attending. Chairman Elliott welcomed the members and updated the committee on the STB Reauthorization Act, letting members know that implementation information is available on the STB website. Vice Chairman Miller welcomed the committee and noted Board Member Begeman's regrets for being unable to attend.

Darin Selby welcomed two new members: Sean Craig of Dairyland Power Cooperative (who could not attend due to flight disruption) and Dan McLaughlin of Union Pacific. He also expressed gratitude for the work of resigning members. On behalf of Secretary/Treasurer Mark Hamilton, Darin Selby informed the committee that all members had paid their dues and thanked them for doing so.

Rob Hardman conducted elections for the Railroad Co-Chairman and Secretary/Treasurer positions for the committee. George Duggan of BNSF Railway was elected Railroad Co-Chairman, and Dan Sabin of Iowa Northern Railway was elected Secretary/Treasurer.

Railroad Performance Metrics

Member Ed McKechnie of WATCO Companies reviewed measures of railroad performance (copy available on the RETAC website), noting the recent structural decline in coal demand, causing a permanent change in the industry. He remarked that years ago when the review of railroad performance measures started the conversation revolved around tight capacity in the industry, which has changed significantly. It was noted that the Powder River Basin used to produce 90 trains per day, and now it is producing 30. STB Vice Chairman Miller initiated a discussion of causes which touched on the strength of the dollar, decreased demand, and increased supply from other sources.

Industry Segment Updates

1. Railroads

Member Darin Selby opened with a statement highlighting the railroad industry's investment in their networks, recognizing the decline in energy related commodities, expressing concern over well-intentioned but sometimes poorly-butressed federal regulations, and supporting a balanced approach to new regulations that are fully supported by rigorous statistical analysis. Member Bob Guy expressed the support of railway labor for two-person train crews.

2. Utilities

Member Rob Hardman (substituting for Sean Craig) presented an update (copy available on the RETAC website) highlighting results of the National Coal Transportation Association's member survey. The survey shows fewer coal train sets in storage versus 2015 though this was believed be attributable to seasonality. At the time of the survey, stockpiles were shown to be greater versus historical levels and rail cycle times to be faster. It was also noted that generation from renewable energy is increasing. Natural gas electrical production is seen at or near its current limits given the available infrastructure. It was noted that less than 50% of electric generation is currently coming from plants with fuel sources stored on site.

3. Mines

Member Scott Yaeger presented an update (copy available on the RETAC website). Coal production continues to fall in year-over-year comparison, and coal stockpiles remain, whilst down slightly, significant.

4. Ethanol/Biofuels

Member John Gray presented an update (copy available on the RETAC website). 2016 is shaping up to be another large corn crop year with nearly every state producing more corn than in 2015 creating a concern that there is more corn than viable uses for it. There is some concern that slower train speeds may lead to a need for larger private tank car fleets.

5. Railcars

Member Bob Hulick presented an update (copy available on the RETAC website). 2016 remains a strong year for railcar deliveries with the out years looking softer. Demand for open hoppers and gondolas for coal remains limited. Tank cars are in oversupply and the growth in biofuels is not large enough to significantly change it. Frac sand shipments and demand for small covered hoppers remains depressed.

6. Oil

Member Lee Johnson presented an update (copy available on the RETAC website). The US supply of crude oil remains at historic highs while the land oil rig count has fallen substantially since the 2014 peak. Shipments of crude oil in rail cars continue to decline year over year with many tank cars in storage.

Guest Presentation – Special Topic

Tom Coleman, Director of Reliability Assessment of the North American Electric Reliability Corporation (NERC) presented notes from NERC's recent Long Term Reliability Assessment. Retirement of coal generated electricity capacity has been significant and is expected to continue. He noted that gas pipeline reliability impacts electrical generation which can impact grid reliability. Reliance on gas fired electrical production is expected to continue to increase with NERC raising its future projections with each of the last three Long Term Reliability Assessments (2011, 2013, 2015). The Clean Power Plan will continue to accelerate fundamental changes in the electricity generation mix.

Acting DFO Mike Higgins reported that no written public comments related to RETAC had been received by the STB.

The next meeting was set for April 6, 2017.

The meeting was adjourned at 12:25 p.m.

Respectfully submitted,

/s/ Dan Sabin
Dan Sabin
Secretary/Treasurer

Certified by:

/s/ Rob Hardman
Rob Hardman
RETAC Co-Chairman

/s/ George T. Duggan
George Duggan
RETAC Co-Chairman