

**In Support of Legislative and Regulatory Reforms to Protect Utilities That Receive Coal by Rail**

1 Thirty nine percent of the nation’s electricity is generated from coal, the vast majority of which is  
2 transported by rail. Many coal-burning electric utilities have only one carrier from which to receive coal  
3 shipments, and thus are subject to monopolistic behavior. The transportation costs for shipping that coal  
4 reflect the monopoly power of the carrier, and are therefore frequently unreasonably high. As a result,  
5 these rail customers are unable to negotiate the terms of their rail transportation in an open and  
6 competitive market. These “captive” rail customers are often charged higher rail rates while customers  
7 with more than one viable transportation option pay lower, competitively priced rates. These competitive  
8 rates are needed to maintain coal as a viable fuel for electric generation and support fuel diversity and  
9 lower costs for the nation’s electric customers.

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11 Over the past several years, rail customers also have experienced numerous service and reliability  
12 problems, with no relief. These problems are by no means restricted to coal shippers. A variety of  
13 shippers, from farmers to chemical manufacturers to defense contractors, have experienced rail service  
14 issues. Utilities, including public power utilities, have experienced significant impacts such as curtailed  
15 generation due to delayed coal shipments, leading to concerns about the potential electric reliability  
16 impacts from dwindling coal inventories. The American Public Power Association (APPA) and its  
17 members have become increasingly concerned that service problems affecting utility coal shipments  
18 could lead to electric reliability issues.

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20 Members of Congress, the Federal Energy Regulatory Commission (FERC or Commission), and the  
21 Surface Transportation Board (STB) have all acted within the last year to address rail service issues  
22 causing coal shortfalls. Most recently, the Senate Commerce, Science, & Transportation Committee  
23 unanimously passed S. 808, the Surface Transportation Reauthorization Act of 2015, on March 25, 2015.  
24 This bill would make several changes to the STB, including improving several STB processes and  
25 increasing the STB’s investigative authority.

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27 The STB has also been active on rail service issues and ordered the Burlington Northern Santa Fe (BNSF)  
28 Railroad to file a coal service recovery plan to ensure BNSF’s plans to address possible coal shortages  
29 were sufficient. Unfortunately, that plan is a non-binding document, and BNSF chose not to fully comply  
30 with the STB’s order. Finally, FERC held a meeting where utility representatives shared their stories  
31 about poor rail service resulting in disruptions of electric service. The Commission will continue to

32 monitor the issue.

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34 APPA and its members have been active in proceedings in Congress and at the STB on issues important  
35 to captive shippers, including rail service issues. While the STB has taken steps to address coal shortage  
36 issues, legislation is still needed to enhance competitive transportation and improve rail customer  
37 protection mechanisms and enforcement implemented by the STB. Furthermore, without the ability to  
38 require railroads to file binding coal service recovery plans, the STB does not have ample power to avert  
39 a service-related coal shortage.

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41 **NOW, THEREFORE, BE IT RESOLVED:** That the American Public Power Association (APPA)  
42 supports legislation that enhances the ability of the Surface Transportation Board (STB) to address the  
43 plight of captive shippers with regard to both freight rates and services; and

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45 **BE IT FURTHER RESOLVED:** That APPA supports a full examination by the Federal Energy  
46 Regulatory Commission, the STB, and Congress of service-related coal shortages at public power  
47 utilities.

**As adopted June 9, 2015, by the membership of the American Public Power Association at its  
annual meeting in Minneapolis, Minnesota.**