



West Virginia Coal Association

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May 23, 2022

U.S. Surface Transportation Board
Mr. Jonathon Binet
Attn: Docket No. EP-762
395 E. Street, S.W.
Washington, D.C. 20423-0001

RE: Notice of Proposed Rulemaking: Revisions to Regulations for Expedited Relief for Service Emergencies

Dear Mr. Binet:

Pursuant to the Notice of Proposed Rulemaking (NPR) filed by the federal Surface Transportation Board (STB) on April 22, 2022, the West Virginia Coal Association offers the following comments and observations.

Introduction

The West Virginia Coal Association (WVCA) is a non-profit state coal trade association representing the interests of the West Virginia coal industry on policy and regulation issues before various state and federal agencies that regulate coal extraction, processing, transportation, and consumption. WVCA's primary goal is to enhance the viability of the West Virginia coal industry by supporting efficient and environmentally responsible coal removal and processing through reasonable, equitable and achievable

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state and federal policy and regulation. WVCA is the largest state coal trade association in the nation.

West Virginia is the second largest coal mining state in the nation, the largest producer of high-quality bituminous thermal (or steam) coal used to produce electricity and the largest producer of metallurgical coal in the United States. WVCA's General Members account for 86% of the Mountain State's underground and surface coal production of both thermal and metallurgical coal. In 2021, West Virginia produced 80.8 million tons of coal.

Coal production in West Virginia is heavily dependent on rail transportation, with 69% of the state's total production moving by railroad to the end customer or export facility.¹ Portions of the state's coal production are entirely dependent on rail transportation.

At the outset, WVCA compliments the agency for the current rulemaking and its recent oversight efforts regarding rail service. While this NPR is a major step in assuring reliable transportation for the critical energy source that coal is for the country, we would also strongly encourage the STB to continue its oversight initiatives and would also suggest a specific forum on issues related to the movement of coal from West Virginia and other states by rail.

¹ See generally "Annual Statistical Report and Directory of Mines," West Virginia Office of Miners' Health, Safety & Training, 2011-2019. <https://minesafety.wv.gov/annual-reports/>; "Annual Coal Report" and "Quarterly Coal Distribution Report," 2011-2021, U.S. Energy Information Administration.

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WVCA also acknowledges the efforts of the state's two Class One railroads to improve service for coal shippers in West Virginia. Through the oversight efforts of the STB, West Virginia's Congressional delegation, and the West Virginia Legislature, service improvement discussions are occurring between our rail carriers and the coal industry. Rail service, while certainly not at the level required by current domestic and international energy demands, has improved. Since the days when the Chesapeake & Ohio Railway served the "Coal Bin of America" and the Norfolk & Western Railway was the "Carrier of Pocahontas Fuel Satisfaction", the West Virginia coal industry and our railroads have enjoyed a cooperative affiliation that provided low cost, reliable energy to the nation and the world, and we look forward to maintaining that relationship to meet even greater energy needs around the country and the globe.

General Comments

As we detail in subsequent paragraphs, WVCA's member companies have a distinct interest regarding adequate railroad service and the STB's proposed rulemaking. Because of its unique physical and chemical properties, West Virginia coal is the only domestic fuel option available for certain facilities and delays in coal shipments impact the ability to generate electric power and produce steel. Coal production in West Virginia is heavily reliant on rail transportation for movement to market. In most instances, shipment by rail is the only option for moving coal to our customers. Additionally, the coal industry is responsible for the largest economic undertaking that

exists in West Virginia, employing tens of thousands of people at above average wages, supporting essential social and government services, and generating thousands of related support jobs throughout the economy. In several areas of the state, coal mining and its supporting industries are one of the only nongovernmental economic activities of any permanence or consequence that occurs in these areas. When rail service is delayed or interrupted, the ability to keep mines operating is impacted since coal storage and stockpile areas at mining facilities are limited.

Specific Comments

Coal produced in West Virginia has the unique distinction of being some of the highest quality fuel available in the United States. Compared to other coal producing states and regions, bituminous coal mined in the state has the unique combination of the highest heating values and lowest emission properties.² This distinctive composition makes West Virginia coal highly sought after by domestic electric power producers. Approximately 11% of the thermal coal used to generate electricity in the United States comes from West Virginia.³ The boiler and pollution control configurations at most of these power plants limits the ability to substitute coal from other states and regions. Should be coal supplies be disrupted by poor rail service, making them entirely

² *Spectrum of West Virginia Coal*. West Virginia Geologic & Economic Survey, 1988; *New Perspectives on Central Appalachian Low-Sulfur Coal Supplies*, Coal Decisions Forum, 1992. *Elements of Practical Coal Mining*, 2nd Edition, Society of Mining Engineers and American Institute of Mining, Metallurgy and Petroleum Engineers, 1981; *Modern American Coal Mining - Methods and Applications*, Society for Mining, Metallurgy & Exploration, 2013.

³ See generally "Coal Data Browser" <https://www.eia.gov/coal/data/browser/>, "Annual Coal Report" and "Quarterly Coal Distribution Report," 2011-2021, U.S. Energy Information Administration.

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dependent on coal from West Virginia and the Appalachian region. To the extent coal substitution can occur at these power plants, the ability to blend other, lower quality coals is limited to certain percentage of the fuel blend.⁴ The majority of the domestic thermal coal produced in West Virginia moves by rail to power plants around the nation-44 percent.⁵ In almost all instances, railroad movement is the only available option for moving coal to these power plants.⁶

Electric generating utilities in the United States have been confronted with skyrocketing electricity demand, record high natural gas prices and underperforming intermittent generation assets at the same time. For example, average natural gas prices have increased by 90% since 2019, with certain extreme weather events pushing prices 200% higher.⁷ Average retail prices for electricity rose at their fastest rate since 2008.⁸ These factors have caused an increased reliance on coal fired power plants to generate power and keep electricity rates reasonable in a chaotic energy market. Unfortunately, rail transportation problems have impacted the ability of these coal fired plants to produce the inexpensive and reliable baseload electricity so desperately needed by a recovering economy. Coal stockpile levels at U.S. power plants are the

⁴ See generally "Form 923: Electric Generation and Fuel Supply" <https://www.eia.gov/electricity/data/eia923/>

⁵ See generally "Annual Statistical Report and Directory of Mines," West Virginia Office of Miners' Health, Safety & Training, 2011-2019. <https://minesafety.wv.gov/annual-reports/>; "Annual Coal Report" and "Quarterly Coal Distribution Report," 2011-2021, U.S. Energy Information Administration.

⁶ See generally "Form 923: Electric Generation and Fuel Supply" <https://www.eia.gov/electricity/data/eia923/>; "Annual Coal Report" and "Quarterly Coal Distribution Report", 2011-2021, U.S. Energy Information Administration;

⁷ "Short-Term Energy Outlook," U.S. Energy Information Administration <https://www.eia.gov/outlooks/steo/>

⁸ "Today in Energy," U.S. Energy Information Administration <https://www.eia.gov/todayinenergy/detail.php?id=51438>

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lowest they have been in decades.⁹ Concerns about available fuel supplies have led several Independent System Operators (ISOs) and electrical grid managers to impose operating standards for coal fired power plants, limiting their generation to conserve coal stockpiles should natural gas supplies be further disrupted.¹⁰ Coal transportation interruptions have exacerbated the energy shortage, with railroads struggling to meet delivery schedules to U.S. power plants.¹¹

With several ISOs around the country warning of potential rolling blackouts due to energy supply issues, any railroad service interruption that would impact the ability to generate electric power would certainly rise to the level of an “emergency” and warrant the expedited process contemplated by the STB in the NPR.

Adequate rail service for coal mining operations is also crucial for the nation’s steel industry. West Virginia is the single largest domestic supplier of metallurgical (“met”) or coking coal to domestic steel makers, providing 69 percent of this essential feedstock to the country’s iron and steel manufactures.

⁹ “Today in Energy” U.S. Energy Information Administration, December 2021; “Electric Power Monthly Update”, U.S. Energy Information Administration, February 2022.

¹⁰ “Biggest U.S. Grid Changes Rules to Shore Up Coal Supply as Winter Approaches.” Reuters, October 21, 2021; “2021-2022 Winter Reliability Assessment.” North American Electric Reliability Corporation, November 2021; “PJM and Members Prepare to Serve Winter Electricity Demand.” PJM, November 4, 2021.

¹¹ “Utilities: Will We Have Coal When It’s Cold?” Freight Waves. December 22, 2021; See also U.S. Surface Transportation Board weekly rail service reports, form EP-724, 2020-2022 <https://www.stb.gov/reports-data/rail-service-data/#railroads-tab-content-1-4> and “Delayed Coal Shipments Force Florida Utility to Limit Coal-Fired Generation”, Trains Magazine, May 13, 2022 <https://www.trains.com/trn/news-reviews/news-wire/delayed-coal-shipments-force-florida-utility-to-limit-coal-fired-generation/?fbclid=IwAR0p8ZtkLOTWpVch2GnZAetFpmYRUEOrx6bEuCr92o4FeYoyj8ABGi6T3KI>

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In steelmaking, metallurgical coal is converted to coke, a solid fuel that is almost pure carbon. In a blast furnace, coke is used as a fuel and oxygen reducing agent to convert iron ore to raw or "pig" iron. Coke is also used in steel conversion furnaces where iron is refined to raw steel. Small quantities of coke are added to the raw steel to infuse it with carbon to strengthen the finished steel product.¹² An additional category of coal valuable to the steel industry is low-sulfur thermal or steam coal with favorable physical properties that allows it to be used as heat to melt a blast furnace charge. Referred to as pulverized coal injection or "PCI" coal, its use reduces the need for coke oven gas or natural gas to heat the blast furnace charge.¹³ Met coal production from West Virginia is vitally important to the domestic iron and steel industry as it represents an irreplaceable raw material.

Ninety percent of the coal shipments from West Virginia to U.S. steel makers move by railroad, and a stable and predictable transportation cycle is critical for the efficient operation of steel plants.¹⁴ The lack of coke or met coal at a steelmaking plant will disrupt the highly integrated nature of these operations and could result in the "cold" shutdown of a coke oven or furnace, potentially damaging the components of the

¹² Freytag, Dean, *The History, Making and Modeling of Steel*, Wm. K. Walthers, 1996.

¹³ *Spectrum of West Virginia Coal*. West Virginia Geologic & Economic Survey, 1988; *New Perspectives on Central Appalachian Low-Sulfur Coal Supplies*, *Coal Decisions Forum*, 1992; *Elements of Practical Coal Mining, 2nd Edition*, Society of Mining Engineers and American Institute of Mining, Metallurgy and Petroleum Engineers, 1981; *Modern American Coal Mining - Methods and Applications*, Society for Mining, Metallurgy & Exploration, 2013.

¹⁴ See generally "Annual Statistical Report and Directory of Mines," West Virginia Office of Miners' Health, Safety & Training, 2011-2019. <https://minesafety.wv.gov/annual-reports/>; "Annual Coal Report" and "Quarterly Coal Distribution Report," 2011-2021, U.S. Energy Information Administration.

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facility. Taking a furnace or coke oven offline to perform repairs necessary after a cold shutdown could potentially idle the entire steelmaking facility, disrupting production and employment at these operations, just as domestic iron and steel demand is increasing. Maintaining railroad service and coal deliveries to these domestic steel plants is vitally important to preserve a critical component of the nation's national security infrastructure. Any rail service disruptions could impact the operation of these facilities should also qualify for the expedited emergency process contemplated in the NPR.

West Virginia is the nation's largest coal exporting state, with approximately 44 percent of all U.S. exports of thermal and metallurgical coal originating in the Mountain State. Ninety-four percent of the state's thermal coal exports and 98 percent of its metallurgical coal export shipments are singularly dependent on railroad transportation for movement to international export ports.¹⁵ Internationally, there is a severe energy shortage that is impacting virtually every sector of the global economy. Countries around the world are practically begging for coal to stabilize their electric grids and manufacturing base.¹⁶ Energy shortages are particularly evident in Europe. Even before

¹⁵ See generally "Annual Statistical Report and Directory of Mines," West Virginia Office of Miners' Health, Safety & Training, 2011-2019. <https://minesafety.wv.gov/annual-reports/>; , "Annual Coal Report" and "Quarterly Coal Distribution Report," 2011-2021, U.S. Energy Information Administration.

¹⁶ "China Isn't the Only Huge Asian Economy with a Coal Shortage Now." CNBC, October 12, 2021; "Indonesia Halts January Coal Exports." Argus Media, January 3, 2022; "China's Energy Crisis Deepens." Forbes, October 19, 2021; "ESG Investing Set to Exacerbate Already Unfolding Global Energy Crisis." Seeking Alpha, October 22, 2021; "This Energy Crisis has Helped Expose ESG's Shortcomings, and We're All Paying the Price." The Globe and Mail, October 22, 2021; "ESG Trend is Pressuring Sector Across the Board." S&P Global Market Intelligence, February 12, 2020.

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Russia's invasion of Ukraine, the continent was in the grips of a full-blown energy crisis. Natural gas shortages and underperforming intermittent generation raised the possibility of electricity rationing and blackouts with the continent struggling to import enough coal and natural gas to keep its power grids stable.¹⁷ European nations are now faced with the challenge of replacing over 40 million tons of thermal coal and around five million tons of metallurgical coal imported from Russia with coal from other sources.

Traditionally, the United States supplied substantial amounts of coal to Europe, with West Virginia coal, because of its higher quality, being the fuel of choice for both power producers and steel makers. Unfortunately, rail service issues have limited the ability of West Virginia to provide alternatives to Russia energy supplies for Europe: "The situation is entirely attributable to a meltdown in rail service capability...."¹⁸ Any strategy to combat aggression against Ukraine and fortify our allies in Europe against Russian hostility must include providing alternative energy supplies to that continent. West Virginia coal is a logical option to replace to Russian thermal and met coal in Europe, but that depends on the ability to move that coal by rail to the port. WVCA would encourage the STB consider how international coal shipments could be

¹⁷ "Trafigura Chief Warns of Rolling Power Outages in Europe this Winter." Financial Times, November 16, 2021; "Europe's Self-Inflicted Energy Crisis." Forbes, October 14, 2021; "Russian Gas Crisis Stokes Europe's Appetite for Russian Coal." Reuters, February 4, 2022.

¹⁸ "Rail Service 'Meltdown' Constraining U.S. Coal Sector in Hot Market" S&P Platts Global, May 9, 2022.

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considered as part of both the current rulemaking initiative and the agency's routine oversight activities.

As noted previously, erratic, and inadequate rail service to mining operations not only delays shipments of coal to the end consumer or international export facility, but it also directly impacts the operation of individual coal mining operations. In the steeply sloped terrain of Appalachia generally and West Virginia specifically, mines and coal preparation plants are situated in constrained, narrow valleys. Natural topography limits the areas that are suitable for the construction of preparation plants and loading facilities. As a result, there is limited ability to store or stockpile coal at the mine site or coal preparation plant complex.¹⁹ If rail service is interrupted or unpredictable, the ability to operate individual mines can be lost because there is nowhere to stockpile to coal while waiting for railroad cars to be delivered. There is simply no physical space available at most West Virginia coal mining operations to stockpile excessive amounts of processed coal awaiting rail shipment. Even if the surrounding topography could allow for increasing the stockpile area, expanding a coal mining operation is not a simple exercise. Property access would need to be obtained and several state and federal regulatory authorizations would be required. Permits under the federal Surface Mining

¹⁹ *Mountaintop Mining / Valley Fills in Appalachia, Draft Environmental Impact Statement*, Overview of Appalachian Region Coal Mining Methods, III.I.3, Environmental Protection Agency, et. al, 2003; *Elements of Practical Coal Mining, 2nd Edition*, Society of Mining Engineers and American Institute of Mining, Metallurgy and Petroleum Engineers, 1981; *Modern American Coal Mining - Methods and Applications*, Society for Mining, Metallurgy & Exploration, 2013.

Control and Reclamation Act and various sections of the federal Clean Water Act would be needed to expand a stockpile area- permitting processes that can take months if not years to complete. Stockpiles of coal awaiting railroad cars for shipment will curtail coal production at the associated coal mining operations, impacting employment and state and local tax collections.

Coal mining is the “Broad Shouldered Atlas” of West Virginia’s overall economy, providing thousands of jobs and millions of dollars of state and local tax revenue. According to a study by West Virginia University, the coal industry provides over \$13 billion in economic activity, accounts for over 33,000 jobs which are responsible for almost \$3 billion in wages annually. Tax collections from coal mining activities provide over \$611 billion in revenue to state and local governments which in turn fund vital social services to communities around the state. In many areas, coal tax collections are the only significant source of funding for social and emergency service programs.²⁰ If coal mining is reduced because of railroad service problems, coal miners, their families, communities, and the state suffer the most. WVCA would encourage the STB to consider broader economic impacts such as these as it deliberates on the proposed rulemaking and any future emergency request related to coal shipments.

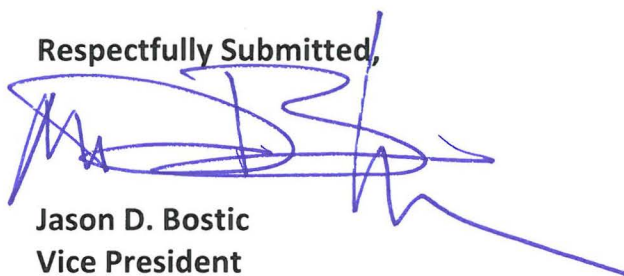
²⁰ See generally “The Economic Impact of Coal and Coal-Fired Power Generation in West Virginia.” Bureau of Business and Economic Research, West Virginia University, 2021.

https://researchrepository.wvu.edu/cgi/viewcontent.cgi?article=1326&context=bureau_be
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Conclusion

WVCA fully supports the NPR as proposed by the STB and would also encourage the agency to continue its investigation and oversight efforts related to railroad service. WVCA also strongly encourages the STB to convene a specific examination and proceeding regarding rail service and the movement of coal.

Respectfully Submitted,

A handwritten signature in blue ink, appearing to read 'Jason D. Bostic', is written over the typed name. The signature is stylized with loops and a long horizontal stroke.

Jason D. Bostic
Vice President