

SURFACE TRANSPORTATION BOARD ENTERED
Docket No. EP 711 (Sub-No. 1) Office of Proceedings
RECIPROCAL SWITCHING June 25, 2019
Part of
Public Record

Summary of Ex Parte Meeting Between CF Industries (“CF”) and Surface Transportation Board
 (“STB” or “Board”) Vice Chairman Patrick J. Fuchs

Held June 13, 2019, 3:00 - 4:00 PM

CF Attendees: Terry Huch, Vice President, Supply Chain; Ken Zintak, Director, Transportation; Michael Hamm, Director Rail; Alex Stege, Director, Public Affairs

STB Attendees: Vice Chairman Patrick Fuchs; Lisa Novins, Attorney-Advisor

CF began the discussion by expressing its appreciation for the opportunity to meet with Vice Chairman Fuchs and his staff to discuss its views on the Board’s proposed rule to allow reciprocal switching in certain situations. Vice Chairman Fuchs conveyed his appreciation to CF for arranging the meeting.

CF provided a PowerPoint presentation to guide the discussion. CF first provided an overview of the company, noting that it is North America’s largest producer of nitrogen fertilizer products. CF explained that nitrogen is one of three essential nutrients to plant growth and that nitrogen fertilizers help to increase crop yields on farms across the globe.

CF then provided an overview of its key nitrogen products, including ammonia, urea, urea ammonium nitrate (UAN) solution, and diesel exhaust fluid. CF described its operations, including that it operates five nitrogen complexes in the U.S., two in Canada, and two more in the U.K. In response to a question from Mr. Fuchs, CF explained that approximately 35% of CF-owned distribution sites are served by rail while 85% of CF-leased sites are served by rail, largely because CF-owned facilities tend to be sited near waterways.

CF noted that it is the nation’s largest shipper by rail of nitrogen fertilizer, moving between four and five million tons annually at a cost of approximately \$500 million. CF further noted that each of its five U.S. manufacturing plants is captive to a single Class I railroad.

Mr. Fuchs asked whether CF’s rates have risen faster than inflation over the last several years, and CF responded that they had.

CF expressed its support for the Board’s proposed rule to allow competitive switching. CF noted that it agrees with the comments submitted by The Shipper Coalition for Rail Competition in support of the proposal. Specifically, CF explained that it believes that the Board has legal authority to promulgate the rule and that the proposed rule would increase competition for captive shippers and thus result in improved system-wide performance.

CF further expressed its opinion that competitive switching would allow competition and markets to help set fair rates, and so would reduce the need for STB rate regulation.

CF further expressed its view that if competitive switching were allowed, it is likely that few cases would actually be brought to the Board because the mere potential for such a case would provide an incentive for railroads to meet their customers' needs in situations where that is not currently the case.

CF then presented a case study to demonstrate how competitive switching could benefit its ability to serve its agricultural customers. Specifically, CF highlighted how a potential switching arrangement for shipments from its manufacturing site in Louisiana would significantly reduce the distance and time its rail cars would have to travel to reach key agricultural markets in the eastern corn belt. CF further expressed its views on the extent to which competitive switching from its Louisiana facility might reduce its rates.

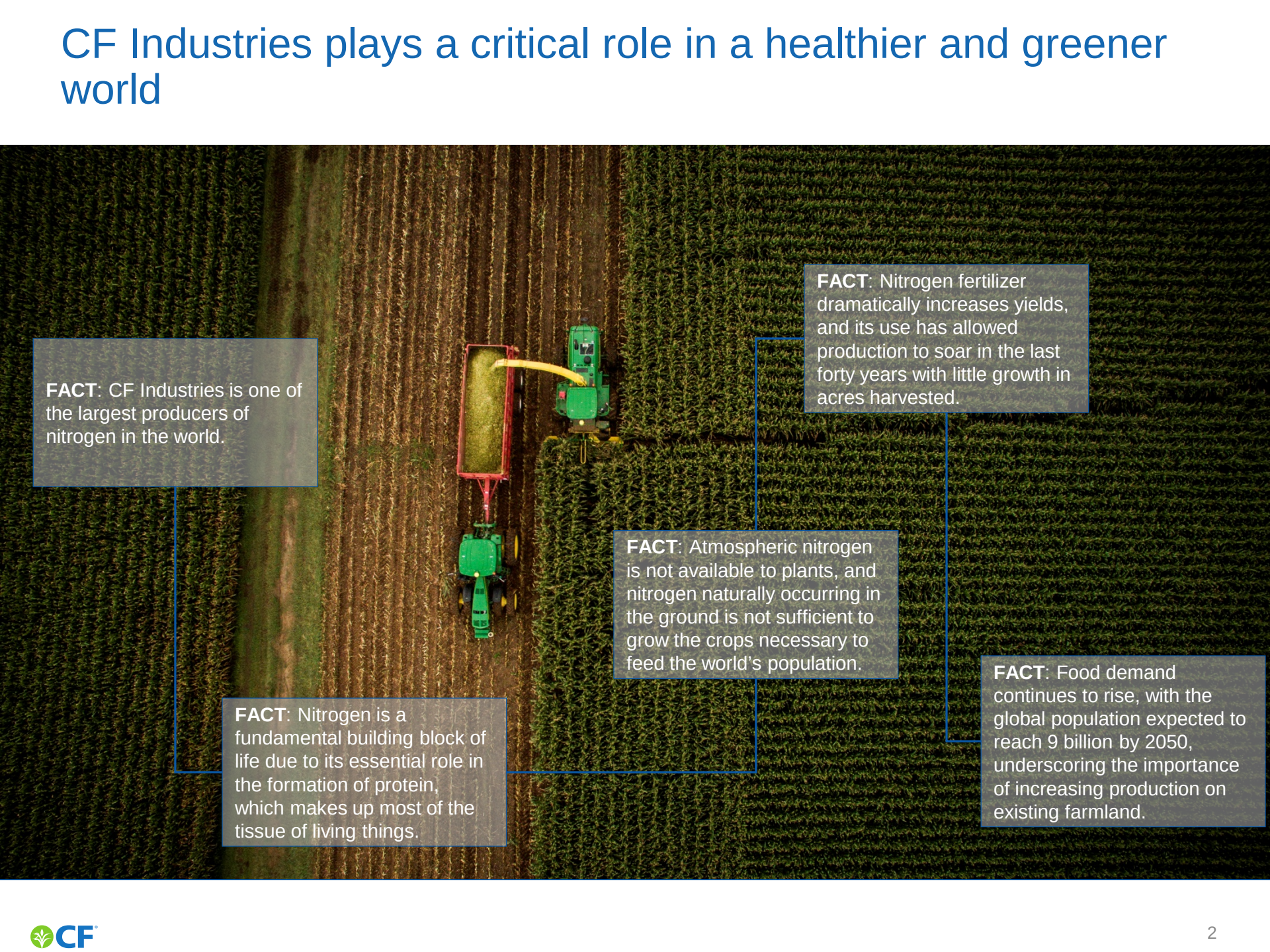
Mr. Fuchs and CF then discussed the advantages and disadvantages of various potential methods to set the scope and access fee for railroads involved in a reciprocal switch.



CF Industries' Perspectives on Competitive Switching (Dkt. No. EP 711)

June 13, 2019

CF Industries plays a critical role in a healthier and greener world



FACT: CF Industries is one of the largest producers of nitrogen in the world.

FACT: Nitrogen is a fundamental building block of life due to its essential role in the formation of protein, which makes up most of the tissue of living things.

FACT: Atmospheric nitrogen is not available to plants, and nitrogen naturally occurring in the ground is not sufficient to grow the crops necessary to feed the world's population.

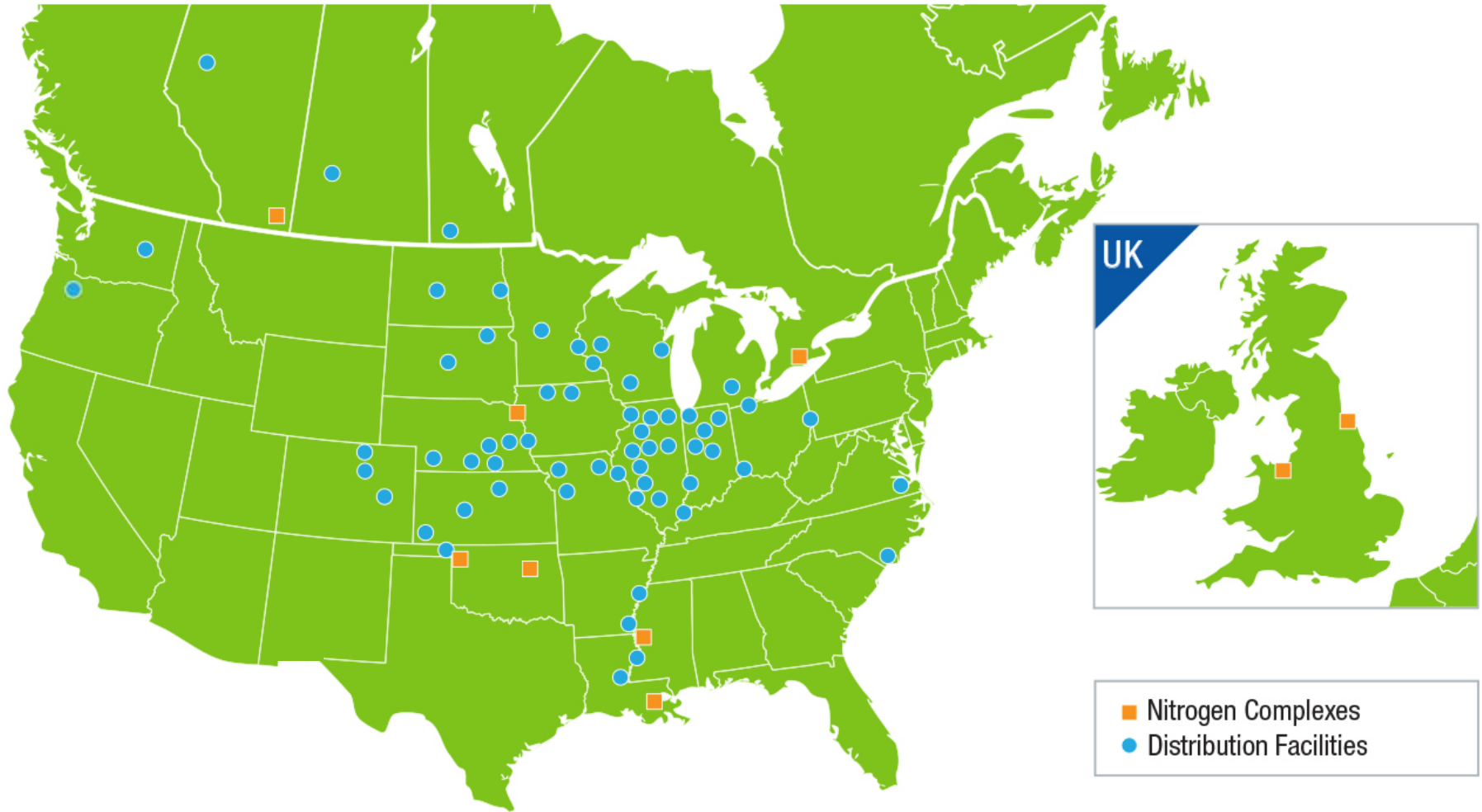
FACT: Nitrogen fertilizer dramatically increases yields, and its use has allowed production to soar in the last forty years with little growth in acres harvested.

FACT: Food demand continues to rise, with the global population expected to reach 9 billion by 2050, underscoring the importance of increasing production on existing farmland.

CF's nitrogen product mix

Product	Composition	Properties
Anhydrous Ammonia	82% Nitrogen	• Liquid fertilizer • Building block for other nitrogen-based crop nutrients
Urea Ammonium Nitrate (UAN) Solution	28-32% Nitrogen	• Liquid nitrogen fertilizer • Fast/slow release properties • Easily blended with crop protection chemicals or irrigation water • Applied readily after planting • Easy to transport and store
Granular Urea	46% Nitrogen	• Dry nitrogen fertilizer • Easy to store and handle
Ammonium Nitrate	34% Nitrogen	• Dry nitrogen fertilizer • Used on fruits, vegetables and specialty crops
Urea Solution Aqua Ammonia	Variable	• Liquid solutions used in pollution and emissions control (diesel exhaust fluid)

CF Industries is a global leader in producing and distributing nitrogen products

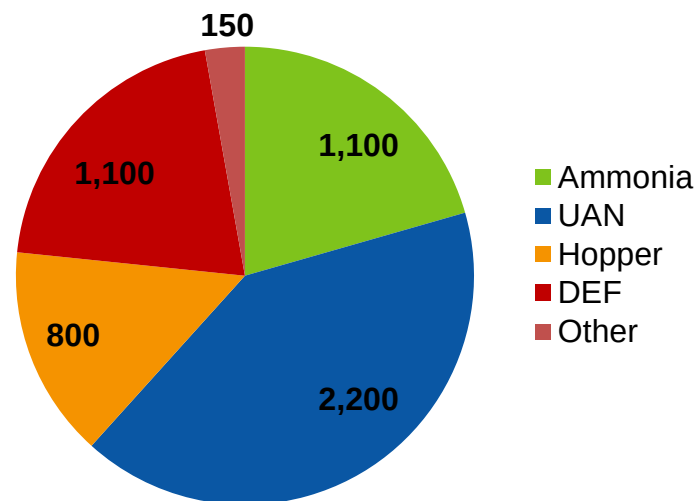


CF Industries is the nation's largest shipper by rail of nitrogen fertilizer

- ◆ CF is committed to safe transport of its products to support North American farmers and industrial customers
- ◆ CF ships by rail approximately 5 million tons of nitrogen product annually at a cost of approximately \$500 million
- ◆ CF manages a fleet of approximately 5,350 rail cars for use in its rail service
- ◆ Although fertilizer is applied during the spring and fall, CF's rail shipments are consistent across all months of the year



CF's Railcar Fleet by Car Type



CF's five U.S. production sites are all captive



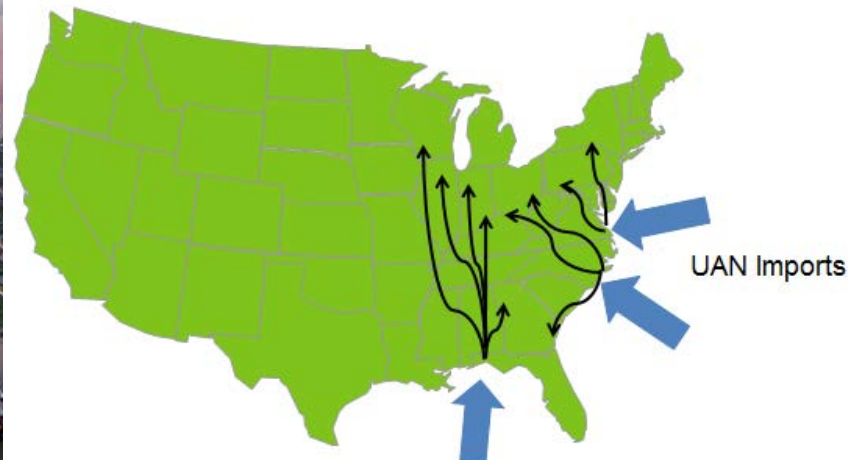
CF strongly supports the STB's competitive switching proposal

- CF agrees with comments submitted by the Rail Customer Coalition (RCC) that the STB has statutory authority to revise its competitive switching regulations
- CF further believes that the STB's proposal has the potential to increase competition thus lower costs for captive shippers and increasing rail's competitiveness vs. other transportation modes
 - Switching allows the market to set the price and would reduce need for STB rate regulation
- Competitive switching will also increase efficiencies and reduce emissions and congestion in the rail network by reducing shipment lengths and times in many instances
- CF recommends the STB set procedures to reduce the complexity, length, and costs of STB proceedings
- Competitive switching has worked well in Canada for over a century
- CF has potential switching arrangements that are strong candidates under the STB's proposed rule

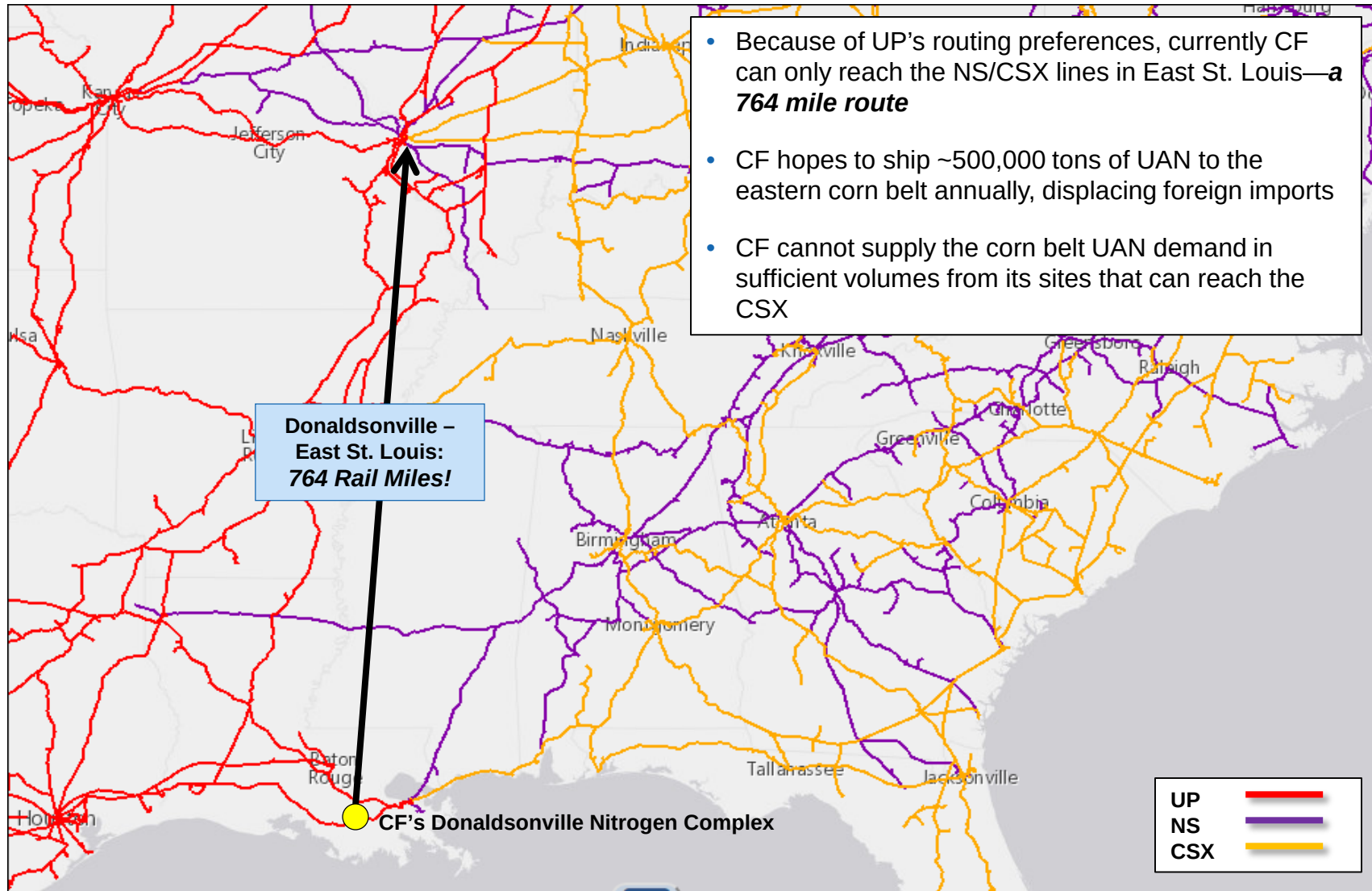


Case study: UAN shipments from CF's Donaldsonville Nitrogen Complex

- Recent \$2 billion expansion makes CF's Donaldsonville Nitrogen Complex in Louisiana the largest nitrogen production facility in the world—increased annual capacity of UAN increased to from 2.4 to 4.2 million tons
- Also ammonia capacity increased from 3.1 to 4.3 million tons; granular urea capacity increased from 1.7 to 3 million tons
- CF would like increased UAN capability to supply demand in eastern corn belt (Ohio, Indiana, Illinois, Michigan), which is currently served in large part by imports coming in through the East and Gulf Coasts
- To reach eastern corn belt, CF must transfer traffic to the NS and/or CSX lines

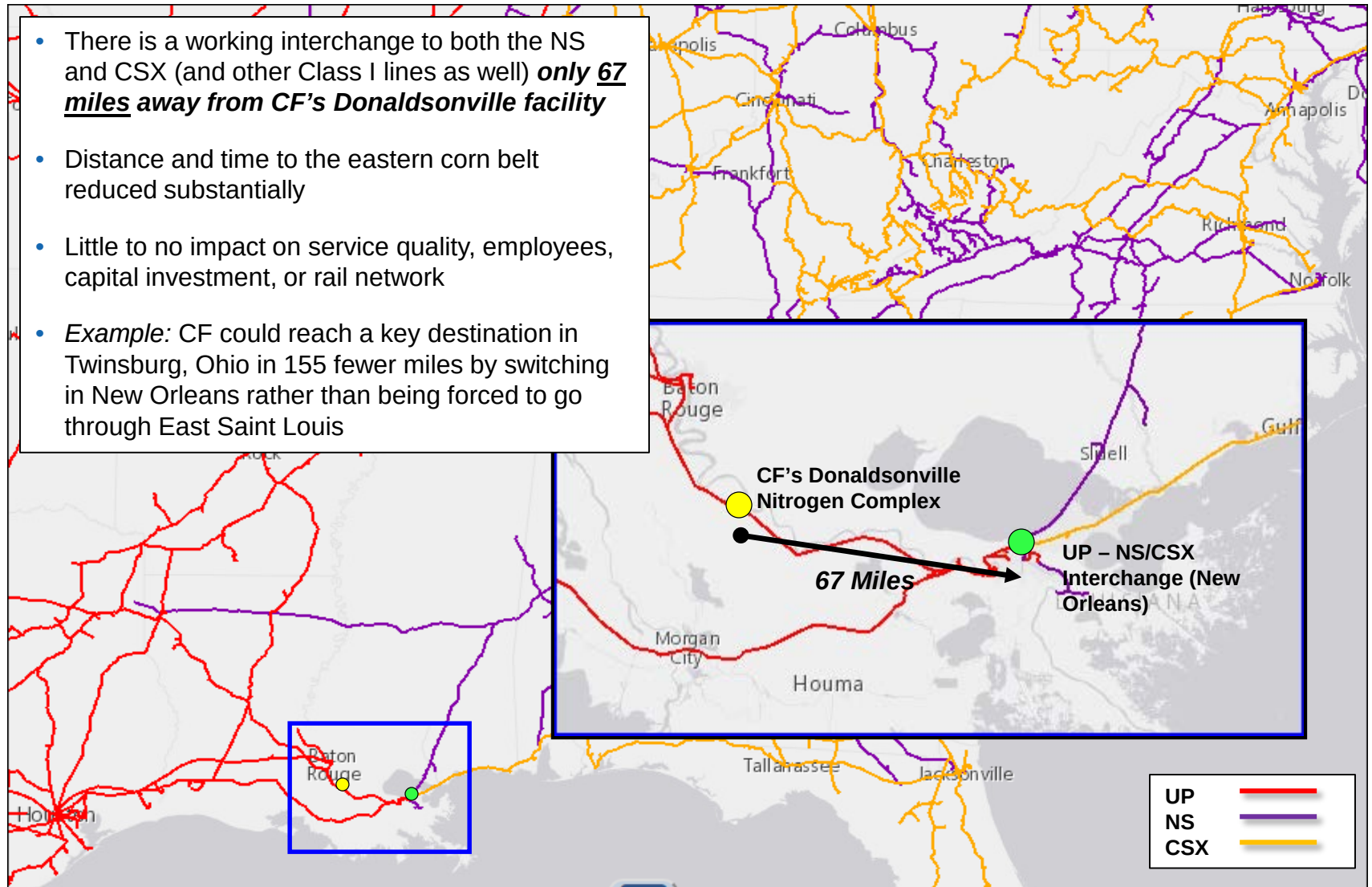


Case study: UAN shipments from CF's Donaldsonville Nitrogen Complex



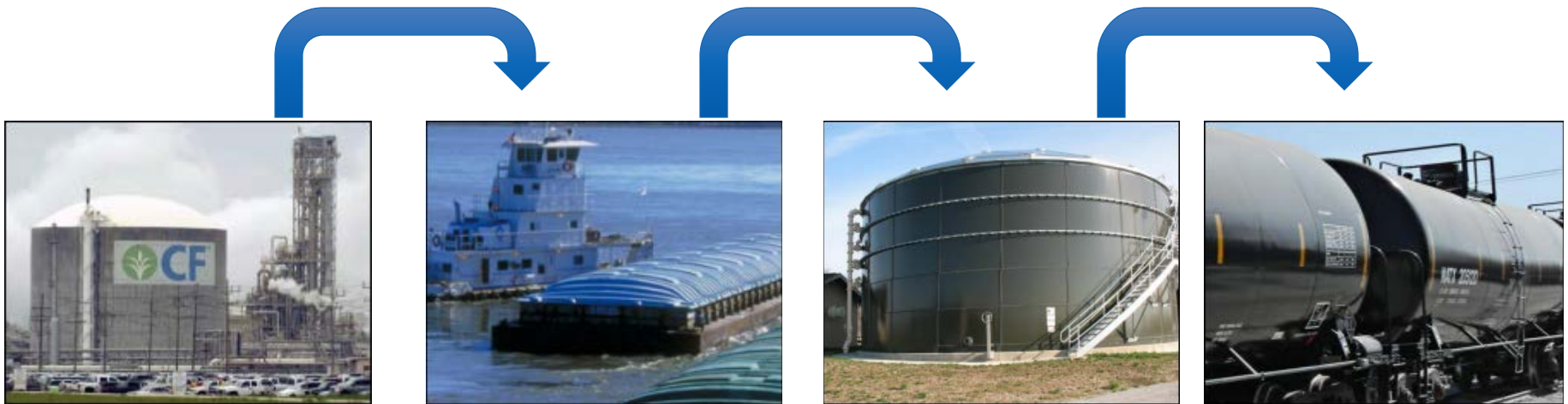
Case study: UAN shipments from CF's Donaldsonville Nitrogen Complex

- There is a working interchange to both the NS and CSX (and other Class I lines as well) **only 67 miles away from CF's Donaldsonville facility**
- Distance and time to the eastern corn belt reduced substantially
- Little to no impact on service quality, employees, capital investment, or rail network
- *Example:* CF could reach a key destination in Twinsburg, Ohio in 155 fewer miles by switching in New Orleans rather than being forced to go through East Saint Louis



Case study: UAN shipments from CF's Donaldsonville Nitrogen Complex

- In an effort to reach the eastern corn belt, CF has gone to costly and burdensome lengths to reach the eastern rail carriers:
 - 1) Loading UAN onto barges at the facility;
 - 2) Shipping the product to a holding tank in southern LA by river;
 - 3) Transferring to the NS from the holding tank



CF can bypass this process and load UAN to rail cars directly at Donaldsonville if it can switch to the eastern rail carriers at New Orleans

Conclusions

- CF is committed to the safe transport of its products by rail to support North American farmers and industrial customers
- Competitive switching should be adopted in a manner so as to foster true competitive alternatives for shippers currently captive to a single railroad—including all of CF's U.S. production facilities
 - Competitive switching should not be limited solely to “terminal” areas
 - Competitive switching should be authorized for a reasonable distance between the shipper facility and carrier interchange
- Possible switching arrangements for shipments from CF's plant's particularly our projection facility at Donaldsonville, LA, would increase CF's ability to displace imports with domestically produced fertilizer products
- There are many more possible switching arrangements that would enhance CF's ability to serve its customers more effectively and efficiently
- CF is committed to working with the STB as it continues its consideration of this important issue