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BY HAND:

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The Honorable Vernon A. Williams
Secretary
Surface Transportation Board
1925 K Street, N.W.
Washington, D.C. 20423-0001

Re: Ex Parte 575 – In the Matter of Rail Access and Competition Issues

Dear Secretary Williams:

Entergy Services, Inc. (“Entergy”) submits this letter in response to the Union Pacific Railroad’s May 5, 2005 letter. In its letter, UP purports to “correct certain mischaracterizations so that the Board has an accurate record upon which to act.” In so doing, however, UP offers “facts” that distort the reality of the impacts that UP’s lease with the MN&A have had, and continue to have, on Entergy’s Independence plant.

First, UP’s suggestion that the MNA’s lease of the subject line “merely replaced one carrier with another as the only railroad serving the Independence plant” misses one of the key points addressed in Entergy’s Reply. But for the restrictive terms of this lease, MNA *could* provide a competitive option to the Independence plant that is precluded by the paper barriers addressed in Entergy’s Reply.

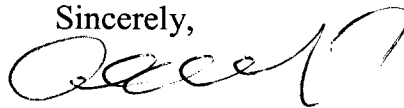
Second, UP’s suggestion that the lease provisions are so favorable to MNA “only because MNA provides compensation to UP in another form – by interchanging the vast majority of its on-line traffic with UP rather than other carriers,” presents a highly misleading portrayal of the economic terms of the UP/MNA lease. The lease payments that are triggered by MNA’s interchange with other carriers have nothing to do with compensating UP for the use of the line. Rather, these payments are plainly penal on their face and are clearly designed to preserve UP’s ability to extract monopoly rents on movements to captive power plants on that line, including Independence. Accordingly, the suggestion that the lease does not prohibit interchange with BNSF ignores the reality of how the extreme nature of the penalties effectively eliminates MNA’s ability to engage in any meaningful interchange of coal traffic with any carrier other than UP.

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Finally, UP's characterization of its willingness to allow BNSF to handle Entergy trains via interchange on a temporary, detour basis during UP's service crisis ignores the fact that this arrangement was fraught with logistical and economic issues that rendered its use a non-starter from the outset. As Entergy explained to the Board in submissions in Docket No. 32760, UP would still have needed to provide the locomotives and crews for the detoured service. Given that UP had taken Entergy trainsets out of service because of the severe shortages of such resources, it was nonsensical for UP to suggest such an arrangement. In addition, unlike UP, while BNSF had the resources and capacity to provide the service needed by Entergy, it could not be expected to provide its resources (including track capacity) under the economics that were available under a detour arrangement. BNSF had many other customers who were in need of assistance and, not surprisingly, needed to make decisions as to how to allocate its resources based on rational economic considerations.

In sum, UP's decision to subject Entergy to the delivery shortfalls experienced during the meltdown (in excess of 3 million tons), rather than allow a competitor to supplement coal deliveries during what UP itself called the worst rail service crisis in the history of the United States, should not be viewed as a justification for allowing the type of paper barrier that continues to preclude competition at Independence. Entergy, accordingly, respectfully requests that the Board grant the Western Coal Traffic League's request for a rulemaking to eliminate unreasonable paper barriers to interchange.

Sincerely,



Alan H. Katz
Assistant General Counsel

cc: Parties of Record