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The Dow Chemical Company
Attention: Mr. Buttrey
10/07

April 27, 2006

The Honorable W. Douglas Buttrey
Chairman, Surface Transportation Board
1925 K Street NW
Washington, DC 20423-0001

Dear Mr. Buttrey,

The Dow Chemical Company ("Dow") appreciates the opportunity to provide the Surface Transportation Board (STB) written comments for the May 11th hearing in STB Ex Parte No. 661 Rail Fuel Surcharges.

Dow is a diversified chemical company that offers products and services to customers in more than 175 countries, helping them to provide everything from fresh water, food and pharmaceuticals to paints, packaging and personal care products.

Dow employs 42,000 people, with approximately \$20 Billion of annual sales in North American. Dow initiates 130,000 rail shipments each year and has a fleet of 28,000 rail cars.

For several years, Dow has repeatedly attempted to work with the class 1 railroads ("railroads") using fuel cost information from their publicly available financial statements. Our goal was to understand how their fuel surcharge programs properly compensate the railroads for their incremental fuel cost.

The railroads have chosen not to provide us with appropriate documentation to help us understand their fuel surcharge methodologies. However, based on our analysis, we believe that the fuel surcharges are allowing the railroads to over-recover their incremental fuel cost and have become a method of revenue enhancement.

Based on our evaluation of the railroads fuel surcharge programs, we submit the following:

1. Fuel surcharge based on a percentage of rail rates is dependent on the rail rate and not the fuel cost for the movement. It is difficult to understand how fuel surcharge revenues based on rail rates can be an accurate portrayal of a rail carrier's actual fuel cost for the movement. For example, on average it is our estimate that we over pay 2x the railroads incremental fuel cost under the current programs. It is difficult to understand why we are paying a different fuel cost for carloads of commodities that ship between the same points.

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2. The starting baseline for current fuel surcharges at \$1.25/gallon for unleaded on highway diesel fuel or \$23/barrel of oil are set too low and do not recognize the fuel recovery costs from past rate negotiations. Railroads have historically covered their increase in fuel costs through contractual rate increases, increases in tariffs, and other rate increase methods such as the RCAFU index.

3. Application of a fuel surcharge to the rail rate in total, versus the fuel component only, unfairly compounds the impact of the surcharge. In addition, the fuel surcharge rates are increasing at a faster rate than the underlying energy sources.

4. By passing fuel costs on to shippers under the current fuel surcharge structure, the railroads lack incentive to effectively manage their purchase of fuel. Further, if the railroads are allowed to continue their current surcharge methodology, the railroads would have an incentive to over-recover other costs in a similar manner.

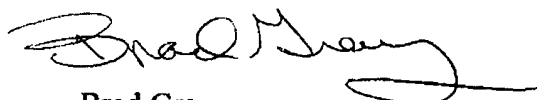
Dow recommends that a reasonable fuel surcharge approach be reflective of the incremental fuel cost for a movement with the appropriate relationship to escalations in the underlying energy source. The following are key elements for a cost based approach:

1. The index reflects the individual railroad's actual fuel purchases.
2. The base year should be updated to be more current, such as fourth quarter of 2002.
3. A cost based approach should not be based on a percentage of the rail rate.
4. The surcharge percentage applied must reflect the actual underlying energy escalation rate.

Dow would also like for the STB to make public all revenues the railroads realize from fuel recovery which includes fuel surcharges and other rate escalation methods.

We hope that our comments are useful for the STB's review and would welcome the opportunity to work with the STB and the rail industry to develop a fair and reasonable fuel surcharge methodology.

Sincerely,



Brad Gray
Global Purchasing, Director

cc: George Biltz, Global Vice President, Purchasing