



Shell Chemicals

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September 25, 2006

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

Re: Ex Parte No. 661 – Rail Fuel Surcharges

Dear Secretary Williams:

Shell Chemical LP provided written comments prior to the Surface Transportation Board's public hearing on Rail Fuel Surcharges (STB Ex Parte No. 661) and we thank the STB for its careful consideration of testimony from shippers, railroads and the public. In response to STB's request for further comment expressed in STB's decision dated August 3, 2006, Shell Chemical LP offers the following.

We are pleased that the STB undertook to review this important matter and rendered a decision, consistent with STB's legislative mandate, supporting the requirement of reasonableness in railroad fuel surcharge practices. The efforts of the STB have been well spent to ensure that the fuel surcharge programs of the railroads represent a fair and rational methodology.

Shell Chemical LP supports the fundamental findings put forth by the STB in its decision. We agree with the STB's decision to: 1) develop a means of computing the surcharge that is attributable to the movement to which the fuel surcharge is applied; 2) admonish the railroads to avoid "double-dipping" practices; 3) require railroads to adopt a single, uniform price index that ensures fuel surcharges are reflective of actual costs; and 4) require submission of fuel cost reports to the STB on a monthly basis.

In order to implement a solution that meets the fundamental findings and allows sufficient information to be gathered to assure that cost recovery mechanisms are reasonable at the outset and in subsequent actual practice, Shell Chemical LP believes the following should be strongly considered:

- The STB should place on the railroads responsibility for proposing an appropriate fuel price peg, which must be exceeded before fuel surcharges are initiated. The peg should have a management of change process to ensure it reflects a timely fuel cost base. There is danger of "double dipping", similar to that which has

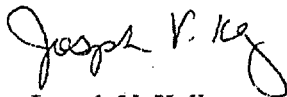
already been discovered, where base freight rates are escalated without updating to current market price the fuel surcharge threshold. For example, fuel pegs based on fuel costs in 2002 are no longer applicable and are likely to be recovered in base rates updated since that time.

- The interest of the public would be advanced by STB advancing clear deadlines upon which all railroads are required to implement a new fuel surcharge system that is compliant with the ruling.
- Particularly during the implementation phase and data gathering after implementation to determine if the goals set out in the STB decision are being met, the STB should establish an effective and efficient process by which shippers can seek relief, report findings and obtain information.
- Ultimately, the outcome of this matter should reflect a process which is fair, reasonable, and transparent.

As we stated in our written testimony for the May 11 hearing, Shell Chemical LP recognizes that the cost of fuel is an important element of cost in the operation of a railroad, and we do not oppose carriers' needs for protection from increases to fuel that would make operation of their business unsustainable. The proposals made by the STB in our view address many of the shortcomings of the existing fuel surcharge programs. We applaud the STB's efforts to address and remedy this situation. However, the redesigned rail fuel surcharges should be examined closely to ensure they meet this aim. For Shell Chemical LP, we have determined with other modes of transportation that fuel surcharge formulas require periodic adjustment to meet business needs. We believe the situation with transportation by rail is similar.

We appreciate the opportunity to provide comments to the Surface Transportation Board on this matter.

Sincerely,



Joseph V. Kelly
Global Category Manager – Rail Transportation
Contracting & Procurement
Shell Downstream, Inc.
On behalf of Shell Chemical LP