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September 29, 2006



Dave Weisel
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Honorable Vernon A. Williams
Secretary
Surface Transportation Board
1925 K Street, N.W., Room 711
Washington, D.C. 20423-0001

Dear Secretary Williams:

Enclosed please find David Weisel's response to the August 3, 2006 decision regarding the Surface Transportation Board EX Parte No. 661, Rail Fuel Surcharges.

Sincerely,

Dave Weisel
Director of Distribution, Potlatch Corporation

Enclosures

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**Comments to the Surface Transportation Board Decision
STB EX Parte No. 661, Rail Fuel Surcharges
Decided August 3, 2006**

September 29, 2006

**David Weisel
Director of Distribution
Potlatch Forest Products Corporation**

My name is David Weisel, I am the Director of Distribution for Potlatch Forest Products Corporation (PFPC), a subsidiary of Potlatch Corporation. We are Real Estate Investment Trust that owns 1.5 million acres of forest land in Arkansas, Idaho, and Minnesota. PFPC operates 13 manufacturing facilities that converts wood fiber into solid wood products (lumber, plywood, and particleboard), as well as paper products (bleached paperboard and consumer tissue).

I appreciate that the Surface Transportation Board allowed me to testify on Rail Fuel Surcharges, on May 11, 2006. The STB decision on August 3, 2006, is definitely a big step in the right direction. This decision will give transparency to rail fuel surcharge costs that all shippers and other associations representing shippers had requested.

The Board is correct regarding the process and practice of applying the surcharges' on the freight rate, rather than seeking payment that is more "closely linked to the increases in the portion of the fuel costs this is attributable to the movement to which the fuel surcharge is applied", does not give supportable documentation. In this instance, you could pay more in fuel than what it is costing the railroad. This is an unreasonable practice.

The reasonableness of the fuel surcharges should apply to ALL commodities. The Board's decision to revoke exemptions necessary to implement the proposed rule is a sound conclusion.

Since the beginning of the rail fuel surcharges, we have had many discussions with the railroads on the issue of "double dipping". We have said all along that under the RCAF which includes fuel, if you do not subtract out that portion, you are getting an inflated increase, which makes no sense. So we are commending the STB for getting this back on a "level playing field".

The rest of my comments will probably mirror the comments of the associations, National Industrial Transportation League, and others, as we are working closely with them to get reasonable and rationale results that can be administered by all.

Under the Board's proposal allowing rail carries to adopt one of three types of fuel surcharge programs: a mileage-based surcharge, a weight-and-mileage based surcharge, or a methodology that has a "reasonable nexus" to fuel consumption. Potlatch is participating in the NITL survey as to which type we feel would be a fit. As stated in my testimony on May 11, 2006, the rail fuel surcharge process is an extremely complex and difficult issue, but as the Board pointed out "it has placed a tremendous burden on all sectors of the economy".

The use of a Uniform Index to measure the increase of fuel cost and the Board's choice of EIA' No.2 Diesel Retail Index is correct, but the legal justification to require a uniform index should be expanded. We have searched among all the fuel indexes and the EIA No. 2 Diesel Retail Index is the most logical at this point.

There should be a requirement that the carriers certify the base period (month and year) used for fuel costs in developing their rates. If the cost of fuel drops below the level chosen by the carrier as a base period for its fuel surcharge, the carriers' fuel program should permit a credit. While this is a different mode, many of the motor carriers have this provision recognizing that the shared fuel risk should work both ways. Shippers are and should compensate the carriers for higher fuel costs, but if it decreases significantly that should likewise be shared.

The Final Board Measure on Reporting requiring the railroads to report on their fuel costs should have the following provisions:

- A. The Board should investigate whether more industry or commodity-specific reporting is possible to permit shippers to better calculate fuel cost increases.
- B. The Board should consider adding data fields to the Waybill Sample to better monitor fuel surcharge revenues.
- C. The board should require carries to report revenue ton-miles for the month and revenue ton-miles to which the fuel surcharge applies, not just revenue tons.

The Board commented that "the rate payers and the public are entitled to have a process carried out in a rational and equitable manner, and the disclosure of the information we seek is necessary step in the process". This is the answer to the question of transparency that was requested on nearly all shipper associations and shippers at the hearing on May 11, 2006.

We are looking forward to working with the STB and the railroads on a simple and concise fuel surcharge program. This has been accomplished with the motor carriers so we feel it is doable with the railroads.