



2 October 2006

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

RE: Rail Fuel Surcharges, STB Ex Parte No. 661

Dear Secretary Williams:

Argus Media Inc. would like to offer a comment for the Surface Transportation Board to consider concerning fuel surcharge programs. Argus Media is an independent global publisher of commodity prices in the energy industry, including diesel prices in the seven largest US bulk spot markets. Argus Media is also the publisher of *Rail Business*, a respected journal tracking news and trends in rail costs and investments. Argus Media feels that certain aspects of the quality of diesel and the market price of diesel may be overlooked in the proposed standard.

The proposed use of the EIA "U.S. No. 2 Diesel Retail Sales by All Sellers" as an index certainly meets the requirements of being single and uniform, but the index may not accurately reflect the portion of fuel costs attributable to rail movements.

1. The EIA index is a retail price. Railroads will acquire their fuel in bulk quantities at the wholesale distribution level or at the bulk spot market, which can sell at significant discounts to retail prices.
2. The EIA index is for On-Road Diesel as used by trucks and other diesel engines. The fuel used by railroads is Off-Road Diesel, which can sell at significant discounts to On-Road specification diesel. On-Road Diesel reflected in the EIA index will primarily be 15ppm sulphur or lower, while the Off-Road Diesel used by railroads will be 500ppm sulphur or lower.
3. The difference between the price of On-Road and Off-Road diesel can vary significantly from month to month based on factors in the petroleum supply chain such as petroleum refining economics and production patterns, weather and related demand for heating oil, and agricultural demand for Off-Road diesel. As a result, the price of On-Road and Off-Road diesel may not correlate well to each other. A fixed discount to On-Road prices will not adequately reflect the Off-Road price due to the unpredictability of the market forces for the different grades.



Various resources exist for resolving these issues. A spot market for bulk Off-Road diesel has just this month emerged in two of the largest trading centers, Houston and Chicago, and Argus will be launching daily prices for Off-Road diesel soon. An Argus price for bulk Off-Road diesel would allow the STB to come to a closer approximation of the true value of the fuel costs directly applicable to surcharges.

An Argus bulk spot market price could be applied in various ways, but we would like to suggest two possibilities.

1. The Argus prices could be averaged to achieve a value for bulk Off-Road diesel. This would create the "national" component provided by the EIA index while accurately entailing the bulk market and specification differences not reflected in the EIA index.
2. The difference between the Argus Off-Road and On-Road diesel prices could be averaged and applied to the EIA Retail On-Road price to bring it closer to an Off-Road value. This would not however remove the significant difference between the retail EIA price and the bulk market price paid by the railroad industry.

Argus hopes that these facts promote a fair and equitable solution to these matters for all parties concerned. We are happy to provide the Surface Transportation Board with historic price data to demonstrate these points.

Sincerely,

A handwritten signature in black ink, appearing to read "Daniel C. Massey", with a stylized flourish at the end.

Daniel C. Massey
President
Argus Media Inc.