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April 4, 2007

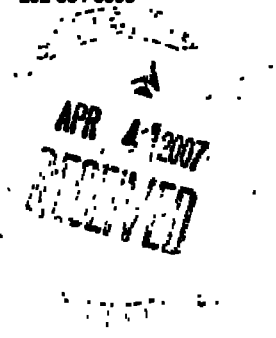
VIA E-FILING

The Honorable Vernon A. Williams
Office of the Secretary
Surface Transportation Board
395 E Street, SW
Washington, DC 20423

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219001



RE: STB Ex Parte No. 671,
Rail Capacity and Infrastructure Requirements

Dear Secretary Williams:

The following comments are filed on behalf of South Carolina Electric & Gas Company ("SCE&G") for the above-captioned proceeding. SCE&G is a regulated public utility engaged in generation, transmission, distribution and the sale of electricity to nearly 571,000 retail and wholesale electric customers in South Carolina. SCE&G is a subsidiary of SCANA Corporation, an energy-based holding company. SCE&G has six coal-fired generation facilities which can generate approximately 2,500 megawatts of generation. Five of the coal-fired plants are solely served by CSX Transportation ("CSXT") and one of the coal fired-generation plants is served by Norfolk Southern Railway Company ("NS") and CSXT. Having reliable rail service at reasonable costs is of utmost importance for SCE&G.

SCE&G appreciates the Surface Transportation Board's ("STB" or "Board") attention on the important issue of rail capacity and infrastructure and what is needed to ensure that the Nation's freight rail system operates in an efficient and reliable manner. SCE&G recognizes that rail capacity expansion will require substantial investments. SCE&G, like other electric utilities, continually makes substantial investments in capacity to meet its obligation to serve. Likewise, railroads should be required to make sufficient capacity investments in order to meet their common carrier obligation.

The Board should evaluate whether the capacity and infrastructure constraints are tied to the current rail duopoly environment. Economic theory would support a finding that railroads in such an environment, without any regulatory guidance or oversight, will continue to constrain capacity in order to increase rates. The Board must be engaged in this important process which is required in the rail transportation policy – "to ensure the development and continuation of a

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sound rail transportation system with effective competition among rail carriers ... to meet the needs of the public." 49 U.S.C. 10101(4).

SCE&G recognizes that public-private partnerships and innovative financing can be useful tools to meet capacity and infrastructure challenges. It should be recognized that utilities and coal producers regularly make investments in rail facilities and equipment which assist railroads in meeting capacity and infrastructure challenges. Therefore, to the extent that public-private partnerships or financing tools would result in a tax credit or similar favorable treatment for railroads, the non-railroad entities making these investments should also benefit from the favorable treatment.

Most importantly, it is imperative that the STB enforce its rail transportation policy to ensure that our freight rail system operates in an efficient and reliable manner. This policy requires effective competition among rail carriers and necessitates that capacity and infrastructure investments must be made in order to meet a railroad's common carrier obligation.

If you have any questions about this matter, please contact me at (202) 274-2959. Thank you for your assistance.

Sincerely,



Sandra L. Brown

cc: Sarena Burch, Senior Vice President Fuel Procurement
and Asset Management, SCANA Corporation