

SLOVER & LOFTUS

ATTORNEYS AT LAW

**1224 SEVENTEENTH STREET, N. W.
WASHINGTON, D. C. 20036-3003**

**WILLIAM L. SLOVER
C. MICHAEL LOFTUS
JOHN H. LE SEUR
KELVIN J. DOWD
ROBERT D. ROSENBERG
CHRISTOPHER A. MILLS
FRANK J. PERGOLIZZI
ANDREW B. KOLESAR III
PETER A. PFOHL
DANIEL M. JAFFE
STEPHANIE M. PISANELLI**

**OF COUNSEL
DONALD G. AVERY**

April 16, 2007

219095

**TELEPHONE:
(202) 347-7170**

**FAX:
(202) 347-3619**

**WRITER'S E-MAIL:
smp@sloverandloftus.com**

BY HAND DELIVERY

The Honorable Vernon A. Williams
Secretary
Surface Transportation Board
Attn: STB Ex Parte No. 670
395 E Street, SW
Washington, D.C. 20423-0001

APR 16 2007
RECEIVED

Re: *Ex Parte No. 670, Establishment of the Rail
Energy Transportation Advisory Committee*

Dear Secretary Williams:

Please find an original and ten (10) copies of the Comments of Seminole Electric Cooperative, Inc. in the above-referenced proceeding.

We have enclosed an additional copy of these Comments. Please indicate receipt and filing by time-stamping this copy and returning it with our messenger.

Thank you for your attention to this matter.

Sincerely,

Stephanie Pisanelli

Stephanie M. Pisanelli
An Attorney for Seminole
Electric Cooperative, Inc.

Enclosures

**BEFORE THE
SURFACE TRANSPORTATION BOARD**

ESTABLISHMENT OF THE RAIL	)
ENERGY TRANSPORTATION	)
ADVISORY COMMITTEE	)

Ex Parte No. 670

APR 16 2007

**COMMENTS OF
SEMINOLE ELECTRIC COOPERATIVE, INC.**

Seminole Electric Cooperative, Inc.
16313 North Dale Mabry Hwy.
Tampa, Florida 33688

Of Counsel:

Slover & Loftus
1224 Seventeenth Street, N.W.
Washington, D.C. 20036

By: Kelvin J. Dowd
Stephanie M. Pisanelli
Slover & Loftus
1224 Seventeenth Street, N.W.
Washington, D.C. 20036

Dated: April 16, 2007

Attorneys & Practitioners

**BEFORE THE
SURFACE TRANSPORTATION BOARD**

ESTABLISHMENT OF THE RAIL	)	
ENERGY TRANSPORTATION	)	
ADVISORY COMMITTEE	)	

Ex Parte No. 670

APR 16 2007

**COMMENTS OF
SEMINOLE ELECTRIC COOPERATIVE, INC.**

In accordance with the Notice served by the Board in the captioned proceeding on March 9, 2007 ("Notice"), Seminole Electric Cooperative, Inc. ("Seminole") submits these Comments concerning the desirability of establishing a Rail Energy Transportation Advisory Committee ("Advisory Committee" or "Committee") to provide independent advice and policy suggestions to the Board on issues related to the reliability of the rail transportation of resources critical to the nation's energy supply, including coal. Seminole appreciates this opportunity to present its views to the Board.

IDENTITY AND INTEREST

Seminole is headquartered in Tampa, Florida and is the second largest generation and transmission ("G&T") electric cooperative in the United States.¹ Seminole generates, sells and transmits bulk supplies of wholesale electricity primarily to its ten distribution member system cooperatives. The Members then provide retail

¹ Based on 2006 revenues.

electric distribution services to residential and commercial consumers. Together, Seminole and its Members serve more than 880,000 metered residential and business consumers in forty-six of Florida's sixty-seven counties.

In 2006, more than 98% of Seminole's total operating revenue was generated from sales to its Members, and approximately 70% of its Members' total retail sales were to residential consumers. In 2006, Seminole sold 17 billion kilowatt hours ("kWh") of energy, of which energy sales to its Members totaled 16.8 billion kWh, or approximately 99% of Seminole's total energy sales. Seminole's aggregate coincident peak demand for the summer of 2006 and the winter of 2005/2006 was 3,518 MW and 4,098 MW, respectively.

The primary energy resource serving Seminole's system is the Seminole Generating Station, a 1300 megawatt coal-fired power station, which Seminole currently plans to expand in an effort to help meet Florida's growing energy needs. Seminole relies on rail service to deliver coal in a timely, efficient and reliable manner in order to meet its generating facility's needs. Without timely coal deliveries, Seminole's ability to fulfill its obligation to provide reliable energy to its Members is put at great risk. Thus, Seminole has a direct and substantial interest in this proceeding and the Board's proposed establishment of the Advisory Committee.

COMMENTS

In its Notice, the Board invites comment on several issues regarding the formation of the Advisory Committee: (1) the views of rail and energy industry stakeholders as to the potential utility of such a committee; (2) the appropriate scope of such a committee's mandate, *i.e.*, whether it should be limited to issues involving transportation of coal and ethanol, or constituted more broadly to include, for example, the biofuel industry and/or others; and (3) the optimum size of such a committee and the preferred allocation of the committee's membership among various stakeholder groups to achieve a fairly balanced "cross section of those directly affected, interested, and qualified," as required under the Federal Advisory Committee Act ("FACA"). Seminole discusses each of these issues below.

I. The Potential Utility of Establishing the Advisory Committee

Seminole respectfully submits that there are significant benefits to be gained from the establishment of the Advisory Committee, and that such a body could provide a useful way to review rail energy transportation issues, particularly those related to the reliability and efficiency of coal transportation. Throughout the energy sector, it has become clear that additional efforts are needed to address the significant and recurring railroad performance issues relative to the delivery of coal to utility power plants. The inventory shortages experienced by a number of utilities in recent years have resulted in expensive consequences for these companies, primarily through the purchase

of costly replacement power, the importation of expensive foreign coal, or the purchase of high cost marginal generation from the market. Such emergency efforts have harmed the nation's rate payers through significantly higher electricity costs at a time of rising electricity demand.

The state of railroad coal service has become such an important issue that several governmental entities have conducted their own investigations and hearings. The Federal Energy Regulatory Commission ("FERC") held a hearing during 2006 on the railroads' coal delivery problems, and the North American Electric Reliability Council ("NERC") has placed the delivery of coal from the Powder River Basin on its reliability "Watch List." Additionally, several state utility regulatory commissions, including those in Arkansas and Wisconsin, have held hearings concerning railroad reliability matters. Notwithstanding these efforts, however, the Board remains the primary regulatory authority over rail transportation, and its jurisdiction over railroads is generally exclusive. *See* 49 U.S.C §10501. Therefore, it is important that the Board take a leading action as well.

Seminole submits that the Advisory Committee would serve both as a valuable forum for meaningful input and discussion by interested coal shippers, and as a tool for helping the Board comprehend and address rail energy transportation reliability issues. Coal is one of the most important commodities transported by the railroads, and because there have been significant and recurring service issues related to reliable coal

delivery, additional attention is needed. Currently, there are no advisory committees within the federal government that focus adequate attention on this issue. As the sole agency with sufficient statutory authority to address rail energy transportation reliability issues on a consistent basis throughout the country, the Board is uniquely suited to fill this void.

II. The Appropriate Scope of the Advisory Committee's Mandate

Seminole believes that the appropriate scope of the Advisory Committee's work should be to principally focus on issues related to the efficient transportation of coal. The reasons are simple: (1) coal is the source for approximately one-half of the nations' energy supply; (2) there is a lack of non-rail related options to move this essential commodity; and (3) electric reliability is of critical importance to the Nation. Seminole also submits that the effectiveness of the Committee will be compromised if its scope broadens to include other areas. Finally, the Board should ensure that the Committee is adequately funded to carry out its duties, and should be prepared to permit the Committee to have access to relevant information from the railroads (with appropriate confidentiality safeguards in place), as needed to effectively fulfill its responsibilities.

III. The Optimum Size and Membership Allocation for the Advisory Committee

Seminole believes that the Advisory Committee will be most effective if it is comprised of a balanced and diverse group of members. As an electric cooperative, Seminole focuses directly on its Members' and their ratepayers' needs, and works for the

sustainable development of its Members' communities through policies adopted by those Members. The Members also contribute equity and democratically control the capital of their cooperative. This structure differs significantly from investor-owned utilities or municipalities. Because of the unique structure of a cooperative and the important role cooperatives fulfill in their communities, Seminole believes that it is important for a representative from the electric cooperative community to be on the Advisory Committee.

In addition to representatives from the major railroads, Seminole believes that the Board also should consider filling other seats with individuals who have experience with energy reliability issues from other federal governmental agencies, such as FERC or the U.S. Department of Energy and other electric utility organizations, such as NERC. Coal industry trade associations, such as the National Coal Transportation Association and coal mining companies with a vested interest in moving coal over the rail system must also have representations. As states have a vested interest in utility and railroad reliability, national representatives from state utility commissions may be appropriate. Finally, the Advisory Committee should include representatives from investor-owned utilities and public power providers. As the railroad regional coal transportation reliability issues can be diverse, from a western to eastern perspective, representation should be spread across all the major coal producing regions. Such a composition will ensure that the group is both diverse and balanced.

CONCLUSION

Seminole appreciates the opportunity to present these Comments to the Board and urges the Board to take action to form the Advisory Committee in a manner consistent with these Comments.

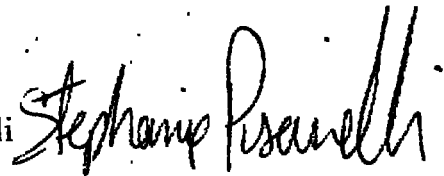
Respectfully submitted,

Seminole Electric Cooperative, Inc.
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Tampa, Florida 33688

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