

**BEFORE THE
SURFACE TRANSPORTATION BOARD**

STB Ex Parte No. 670

CREATION OF RAIL ENERGY TRANSPORTATION ADVISORY COMMITTEE

COMMENTS OF SOUTHERN COMPANY GENERATION

I. INTRODUCTION

The Surface Transportation Board's ("STB" or "Board") decision served March 9, 2007 in this proceeding sought public comments on the desirability of the Board to establish a Rail Energy Transportation Advisory Committee pursuant to the Federal Advisory Committee Act¹("FACA") (hereinafter "Notice"). The Notice specifically sought input from interested persons on issues including (1) the views of energy industry stakeholders on the utility of such a committee; (2) the appropriate scope of the committee and (3) the appropriate size and make-up of such a committee. Southern Company Generation ("Southern") hereby submits comments in response to the Board's request for comments on the creation of a Rail Energy Transportation Advisory Committee ("Committee").

A. Identification and Interest of Southern Company Generation

Southern serves 4.3 million customers in the southeastern U.S. including Georgia, Alabama, Mississippi and Florida. Southern has more than 41,000 megawatts of generating capacity, in service or under construction to serve its regulated and wholesale generation needs.

¹ Federal Advisory Committee Act, Pub. L. No. 92-463, 86 Stat. 770 (1972)(codified as amended at 5 U.S.C. App. 2 §§ 1-15 (2000)).

Southern owns and/or operates 21 coal-fired generating plants² through its operating companies, Alabama Power, Georgia Power, Gulf Power and Mississippi Power. These coal units total approximately 23,232 megawatts of generating capacity. Southern is one of the largest purchasers of coal and in 2006, Southern purchased more than 80 million tons of coal. Approximately 37% of this coal was purchased from the Powder River Basin (“PRB”) and approximately 42% from the Appalachian region with the remaining approximately 21% from Illinois, Colorado and import sources.

Southern’s company philosophy pushes it to strive to earn unquestionable trust, dedication to superior performance throughout its business, and to have a total commitment to the success of its customers, shareholders, employees and the communities it serves. Southern is proud of the fact that among electric utilities, it maintains one of the highest reliability records in the nation at 99.95 percent. Energy reliability is a fundamental tenet for Southern and the reliability of rail transportation of coal deliveries is an essential part of overall reliability of the electric grid.

II. UTILITY OF A RAIL ENERGY TRANSPORTATION ADVISORY COMMITTEE

The potential creation of a Rail Energy Transportation Advisory Committee pursuant to FACA is applauded by Southern. As the Board is aware, reliable rail service and reasonable rates combined with the infrastructure capacity investments needed in the rail industry are of utmost concern to energy industry stakeholders such as Southern. Coal provides approximately 50 percent of the fuel for the nation’s electric generation.³ By 2030, the share of electric generation

² Seven of the 21 coal-fired generating units are currently served by transportation modes other than railroad.

³ “Coal Demand” Information Sheet, Energy Information Administration, available at <http://www.eia.doe.gov/neic/infosheets/coaldemand.html> (updated May 2006).

by coal is expected to grow to 57%.⁴ According to the Association of American Railroads (“AAR”), two-thirds of the coal burned at coal fired generators is moved by rail.⁵ As the demand for coal-burning generation increases, the demand on rail infrastructure will further increase. According to the Energy Information Administration (“EIA”), coal consumption by the electric power sector will grow steadily over the next 30 years, both because of increases in electricity demand and significant additions of new coal-fired generation capacity.⁶ For example from 2000 to 2030 there are 159 new coal-fired plants either proposed or operational to create 96 gigawatts of new power.⁷ Furthermore, fuel costs are the largest component of the production costs at coal-fired power plants accounting for over 75% of the costs.⁸

In light of these realities, Southern believes that all energy stakeholders should agree that reliable rail coal delivery at a reasonable price, which includes adequate capacity, is critical to the overall reliability of the interstate power grid, especially in areas heavily dependent on coal-fired generation. Southern agrees with the Board’s assessment that the reliability of the nation’s energy supply is critical to this nation’s economic and national security. As suggested by the Board, an advisory committee of relevant stakeholders would be an invaluable resource for providing independent, candid policy advice to the Board and foster open, effective communication among

⁴ Energy Information Administration, *Annual Energy Outlook 2007*, DOE/EIA Report No. 0383 (February 2007) at 82.

⁵ Letter of Edward R. Hamberger, President, Association of American Railroads to the Federal Energy Regulatory Commission, FERC Docket No. AD06-8-000, *Discussions with Utility and Railroad Representatives on Market and Reliability Matters*, May 3, 2006.

⁶ Energy Information Administration, *Annual Energy Outlook 2007*, DOE/EIA Report No. 0383 (February 2007) at 3-4.

⁷ National Energy Technology Laboratory, *Tracking New Coal-Fired Power Plants* (January 24, 2007) available at <http://www.netl.doe.gov/coal/refshelf/ncp.pdf>

⁸ Energy Information Administration, *Challenges of Electric Power Industry Restructuring for Fuel Suppliers*, DOE/EIA Report No. 0623 (September 1998) at 6

the affected interests on issues such as rail performance, capacity constraints, infrastructure planning and development, and effective coordination among suppliers, carriers and users of energy resources. Given the STB's jurisdiction over rail transportation, it is appropriate and commendable that the STB take the lead on this important issue that has far-reaching and long-term impacts.

III. THE APPROPRIATE SCOPE OF THE COMMITTEE

The Committee should have a defined scope focusing on the reliability of rail transportation of energy resources such as coal, ethanol and possibly biofuel. The reliable and economic transportation of our nation's most abundant energy resource which accounts for approximately 50 percent of the fuel for the nation's electric generation which is used to keep the lights on must be the paramount mission of the Committee. The U.S. has more coal reserves than any other country, holding 27 percent of the world's recoverable coal reserves which provides an abundant source of energy within our borders.⁹ Thus, the scope of the Committee should be sufficiently focused on the transportation of energy resources such as coal to effectively address this issue of national importance over the long-term.

The Committee's mission would revolve around the focus on the reliability of our nation's energy supply chain with the recognition that the reliable and economic transportation by rail of coal and other energy resources is a vital link to our nation's economic and national security now and long into the future. The Committee's mission should, at a minimum, include an assessment of the following key issues:

- Performance and capability of rail transportation of coal;

⁹ Energy Information Administration, *International Energy Outlook 2006*, DOE/EIA Report No. 0484 (June 2006) at 52.

- Assess appropriate definition(s) of performance and capability expectations for the rail transportation of energy resources;
- Forecast and plan for future service-related problems or future planned service disruptions, i.e. infrastructure repair or expansion;
- Develop a service-interruption plan to address potential man-made or natural disasters before they occur;
- Develop a mutually agreeable plan to address how much current capacity is needed and where future capacity investment should be made;
- Develop Board priorities and policies for coal transportation reliability; and
- Look at establishing a 10-year plan with 1-year and 5-year interval plans where performance measures will be reviewed.

In addition, the Committee's advisory role may be drawn upon to make recommendations for Board actions or provide comment on the Board's agenda items, particularly as they may impact rail and energy reliability.

IV. THE APPROPRIATE COMMITTEE MEMBERSHIP

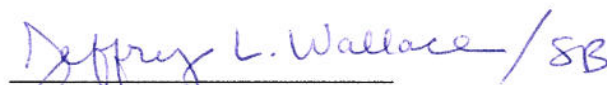
Given the specific mission of the Committee and the requirements of FACA, we believe that the membership should be limited to vital industry and government experts who are involved in the rail supply and transportation of energy resources. The ideal Committee size would be limited to 15 voting members with a cap of five non-voting government industry experts. The voting members would be senior executives of stakeholder companies with a distribution of five members from coal-fired utilities (including at least one representative from non investor-owned utilities); four members from the railroad companies (including Class I, II and III); three members from coal producers and three members for ethanol, biofuel or other non-coal energy

resources. The non-voting members could include industry experts, in addition to Board representation, from the Federal Energy Regulatory Commission ("FERC"), Department of Energy ("DOE") and possibly even the Department of Homeland Security. Inclusion of industry experts from FERC or DOE will provide invaluable knowledge and experience on energy reliability and support the Board's lead on these critical issues.

V. CONCLUSION

Southern appreciates the opportunity to express its views on the creation of a Rail Energy Transportation Advisory Committee and commends the Board for taking this important step toward addressing the rail transportation issues that impact the reliability of our nation's energy supply. Southern encourages the Board to move forward with the establishment of a Rail Energy Transportation Advisory Committee and Southern pledges that it will support the Board in those efforts.

Respectfully submitted,



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