

**BEFORE THE
SURFACE TRANSPORTATION BOARD**

Ex Parte No. 670

CREATION OF RAIL ENERGY TRANSPORTATION ADVISORY COMMITTEE

COMMENTS OF AMEREN ENERGY FUELS AND SERVICES COMPANY

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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. Ameren Energy Fuels and Services Company ("AFS") 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 AFS

Ameren Corporation, the parent company of AFS, is a public utility holding company which provides electricity to approximately 2.3 million customers in Missouri and Illinois. Ameren Corporation, through its various operating subsidiaries (collectively "Ameren") has 11

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)).

coal-fired plants, 10 of which rely on rail service as the primary mode of transportation for coal. Ameren is the largest shipper in the country of Powder River Basin (“PRB”) coal, shipping over 35 million tons annually from the PRB. Ameren also purchases coal from Illinois and other sources.

II. UTILITY OF A RAIL ENERGY TRANSPORTATION ADVISORY COMMITTEE

Ameren applauds the Board’s potential creation of a Rail Energy Transportation Advisory Committee pursuant to FACA. 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 Ameren. Coal provides approximately 50 percent of the fuel for the nation’s electric generation.² By 2030, the share of electric generation by coal is expected to grow to 57%.³ According to the Association of American Railroads (“AAR”), two-thirds of the coal burned at coal fired generators is moved by rail.⁴ As the demand for coal-burning generation increases, the demand on rail infrastructure also increases. 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.⁵ For example

² “Coal Demand” Information Sheet, Energy Information Administration, available at <http://www.eia.doe.gov/neic/infosheets/coaldemand.html> (updated May 2006).

³ Energy Information Administration, *Annual Energy Outlook 2007*, DOE/EIA Report No. 0383 (February 2007) at 82.

⁴ 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.

⁵ Energy Information Administration, *Annual Energy Outlook 2007*, DOE/EIA Report No. 0383 (February 2007) at 3-4.

from 2000 to 2030 there are 159 new coal-fired plants either proposed or operational to create 96 gigawatts of new power.⁶ The production of PRB coal alone is projected to grow by 289 million tons from 2005 to 2030.⁷ Furthermore, fuel costs are the largest component of the production costs at coal-fired power plants accounting for over 75% of the costs.⁸

Electric utilities and railroads are alike in that both industries require large capital investments in infrastructure. Electric utilities have an obligation to serve their customers and are required to maintain adequate reserves or excess capacity to allow for maintenance, forced outages or other contingencies. Railroads on the other hand have professed a “just in time” investment strategy aimed at restraining capacity.⁹ Furthermore, AAR has testified that a railroad’s common carrier does not obligate railroads to build additional capacity.¹⁰ The lack of capacity and maintenance investments may have contributed to the PRB rail service disruptions in 2005 and 2006 which for many utilities caused coal stockpiles to dip dangerously low and forced many utilities to implement coal conservation plans. Concern about the impact that the coal transportation problems might have on electric reliability led to various congressional hearings between April and June 2006 and to FERC holding a conference on June 15, 2006. Given the

⁶ National Energy Technology Laboratory, *Tracking New Coal-Fired Power Plants* (January 24, 2007) available at <http://www.netl.doe.gov/coal/refshelf/ncp.pdf>

⁷ Energy Information Administration, *Annual Energy Outlook 2007*, DOE/EIA Report No. 0383 (February 2007) at 56.

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

⁹ Written Statement of Edward R. Hamberger, FERC Docket No. AD06-8-000, *Discussions with Utility and Railroad Representatives on Market and Reliability Matters*, June 15, 2006, at 10 (citing Richard Bonskowski, *The U.S. Coal Industry in the 1990s: Low Prices and Record Productions*, EIA, September 1999).

¹⁰ Hearing Testimony of Edward R. Hamberger, FERC Docket No. AD06-8-000, *Discussions with Utility and Railroad Representatives on Market and Reliability Matters*, May 23, 2006, hearing transcript at 86..

STB's jurisdiction over rail transportation, it is appropriate that the STB take the lead on this important issue that has far-reaching and long-term impacts.

In light of these realities, Ameren 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. Ameren also 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 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.

III. THE APPROPRIATE SCOPE OF THE COMMITTEE

The Committee should have a defined and narrow scope focusing on the reliability of rail transportation of energy resources such as coal, ethanol and possibly biofuel. While the inclusion of ethanol and biofuel resources in the Committee may raise issues that might differ from coal and unnecessarily broaden the scope of the Committee, Ameren does not object to the inclusion of these additional stakeholders to the extent that such inclusion does not detract from the main focus of ensuring the reliable and economic use of our nation's most abundant energy resource-coal, which currently accounts for approximately 50 percent of the fuel for the nation's electric generation.

The scope of the Committee should be sufficiently narrow to effectively address the mission that the Committee should create. This mission would be to 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. The Committee's mission should, at a minimum, include an assessment of the following key issues:

- Assessment of the current coal supply chain performance and the capability of the supply infrastructure to meet coal demand;
- Develop projections of needed rail coal capacity versus expected actual rail capacity. From these projections, the Committee would draft a plan to address how much additional capacity is needed and where future capacity investment should be made;
- 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 recommendations for 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.

The above issues should be included in the proposed charter for the Committee which the Board stated in its Notice that it intends to develop.

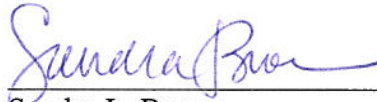
IV. THE APPROPRIATE COMMITTEE MEMBERSHIP

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 and possibly even the Department of Homeland Security.

V. CONCLUSION

Ameren 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. Ameren encourages the Board to move forward with the establishment of a Rail Energy Transportation Advisory Committee.

Respectfully submitted,



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