



Tennessee Valley Authority, 1101 Market Street, Chattanooga, Tennessee 37402-2801

April 16, 2007

Surface Transportation Board
Attention: STB Ex Parte No. 670
395 E. Street, S.W.
Washington, D.C. 20423-0001

Gentlemen:

The Tennessee Valley Authority (TVA) appreciates the opportunity to submit its comments in response to the Surface Transportation Board's (STB) notice in Docket Number EP_670_0, which solicited public comments on the establishment of a Rail Energy Transportation Advisory Committee. TVA's comments are being filed electronically along with this cover letter.

TVA supports the establishment of the proposed advisory committee, which would provide independent advice to the STB on issues related to the rail transportation of resources critical to supplying the nation with fuel for its power generating plants.

TVA considers the proposed advisory committee to be such a positive step that it would like the STB to consider having a representative from TVA serve on the advisory committee.

We commend the STB for considering this much-needed advisory committee charged with addressing the reliability of the rail transportation system and its capability to handle the nation's energy-related transportation needs.

Sincerely,

A handwritten signature in black ink, appearing to read "Judy D. Parker".

General Manager
Fuel Supply

TENNESSEE VALLEY AUTHORITY COMMENTS ON THE PROPOSED RAIL ENERGY TRANSPORTATION ADVISORY COMMITTEE

TVA is a wholly-owned corporate agency and instrumentality of the United States, created by an act of Congress in 1933, and is the Nation's largest public power provider. During fiscal year 2006, TVA sold more than 176 billion kilowatt hours of electricity and had electricity sales revenues over \$9 billion.

During fiscal year 2006, nearly two-thirds of TVA's generation depended on coal-fired plants, and TVA consumed 46.4 million tons of coal at a cost of approximately \$1.8 billion, which constituted about 90 percent of TVA's total fuel costs. Approximately 40 percent of that coal was delivered by rail with an additional 34 percent delivered by a combination of rail and barge.

Rail transportation plays a critical role in the movement of coal for TVA and other large purchasers of fossil fuels, and a viable, healthy, and reliable rail transportation system is essential to this Nation's goal of energy self sufficiency.

TVA considers the proposed advisory committee to be such a positive step that it would like the STB to consider having a representative from TVA serve on the advisory committee.

TVA Supports the Establishment of the Committee.

As an energy industry stakeholder and a large customer of rail transported coal and other energy related products, TVA believes that the establishment of a Rail Energy Transportation Advisory Committee has significant merit. This advisory committee could bring greater balance and perspective to the promotion of reliable rail transportation of coal and other energy supplies and products vital to the Nation's electric generation facilities. Consideration of this critical issue is especially important in light of additional demands on this Nation's railroads due to increased exports that are moved by rail, anticipated long-term increases in the volume of rail shipments of coal, bulk commodities, and intermodal traffic, and the current high density of rail traffic from coal sources in the Powder River Basin.

Concurrently with these increased demands on railroads, the reliability of the rail system to transport adequate fuel supplies to generating facilities has suffered, even while TVA has experienced an increase in rail rates.

Additionally, TVA has experienced an increasing tendency of the rail industry to prescribe the manner in which TVA receives and unloads rail-delivered coal. These procedures focus more on meeting the railroad's needs than giving adequate consideration to the needs of the utility receiving the coal. The proposed advisory committee, which would include coal producers, coal

consumers, the railroads, and others, would be an ideal forum in which to surface and explore the serious issues facing all the stakeholders so that they can be addressed proactively.

The Committee Should Have a Broad Mandate Which Would Improve its Effectiveness as an Independent Advisory Group.

If the Committee's sole focus would be to provide increased assurance of a reliable domestic energy supply by increasing the effectiveness of the rail transportation component of the energy supply chain, then the energy sector constituents (i.e., electric utilities, coal mining companies, railroads, ethanol and biofuel producers, limestone suppliers, federal and state energy-related agencies, and academic or private sector consultants with energy or supply chain expertise, etc.) would logically be the primary participants. However, other major shippers using the rail system (agricultural product producers and users, car manufacturers, intermodal shippers, and other bulk commodity shippers and producers, etc.) may also be experiencing railroad quality of service problems that are similar to those experienced by shippers in the energy sector. Accordingly, the STB may consider it desirable to include their voices. While the energy sector should represent the major focus of the committee, these other important sectors could also be given a venue to express their interests and concerns to the STB through a subcommittee structure. Any common interests and concerns and interrelated problem areas could be discussed and analyzed at the subcommittee and/or the full committee level and then provided to the STB.

Although TVA's most significant concerns relate to rail system reliability and service affecting the rail transportation of coal, which directly affects TVA's ability to continue to produce reliable low cost power, the STB might best be served by an advisory committee that included a mechanism for allowing other important rail system shippers to also have a venue for voicing their specific issues and concerns.

The Committee Should be Organized by Sectors and Segments.

To promote the consideration of information and views from a wide range of sources and stakeholders, TVA suggests a committee structure that provides an appropriate venue for consideration of issues from the major industry sectors that have significant interest in the performance of the Nation's rail system. The energy sector would be one of the major industry sectors represented. Other sectors might include the agriculture industry, automotive industry, and all other manufacturing. Each sector could be divided into five segments applicable to that sector. The attached chart depicts a prototype for this type of structure.

In addition to this structure, the committee should have the flexibility to establish subcommittees and task forces as needed. It may also create ad hoc subcommittees as needed for tasks specific to certain issues.

TVA also suggests that the qualifications for committee members include:

- must represent a sector and a segment,
- must have a broad understanding of the sector he or she represents and sufficient authority to participate fully in committee and/or subcommittee deliberations,
- must have a working knowledge of the committee's processes and procedures, and
- must be willing to commit the time and resources necessary to fulfill the obligations of committee and/or subcommittee membership and meet a minimum threshold of participation and attendance to be established by the committee.

PROTOTYPE STRUCTURE OF STB ADVISORY COMMITTEE

