

REDACTED - TO BE PLACED ON PUBLIC FILE

BEFORE THE
SURFACE TRANSPORTATION BOARD



ENTERGY ARKANSAS, INC and
ENTERGY SERVICES, INC , Complainants,

v

UNION PACIFIC RAILROAD COMPANY and
MISSOURI & NORTHERN ARKANSAS
RAILROAD COMPANY, INC , Defendants

MISSOURI & NORTHERN ARKANSAS R R. -
LEASE, ACQUISITION AND OPERATION
EXEMPTION - MISSOURI PACIFIC R R
and BURLINGTON NORTHERN R R

Docket No 42104

ENTERED
Office of Proceedings

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Part of
Public Record

Finance Docket No 32187

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August 11, 2008

Contains Color Images

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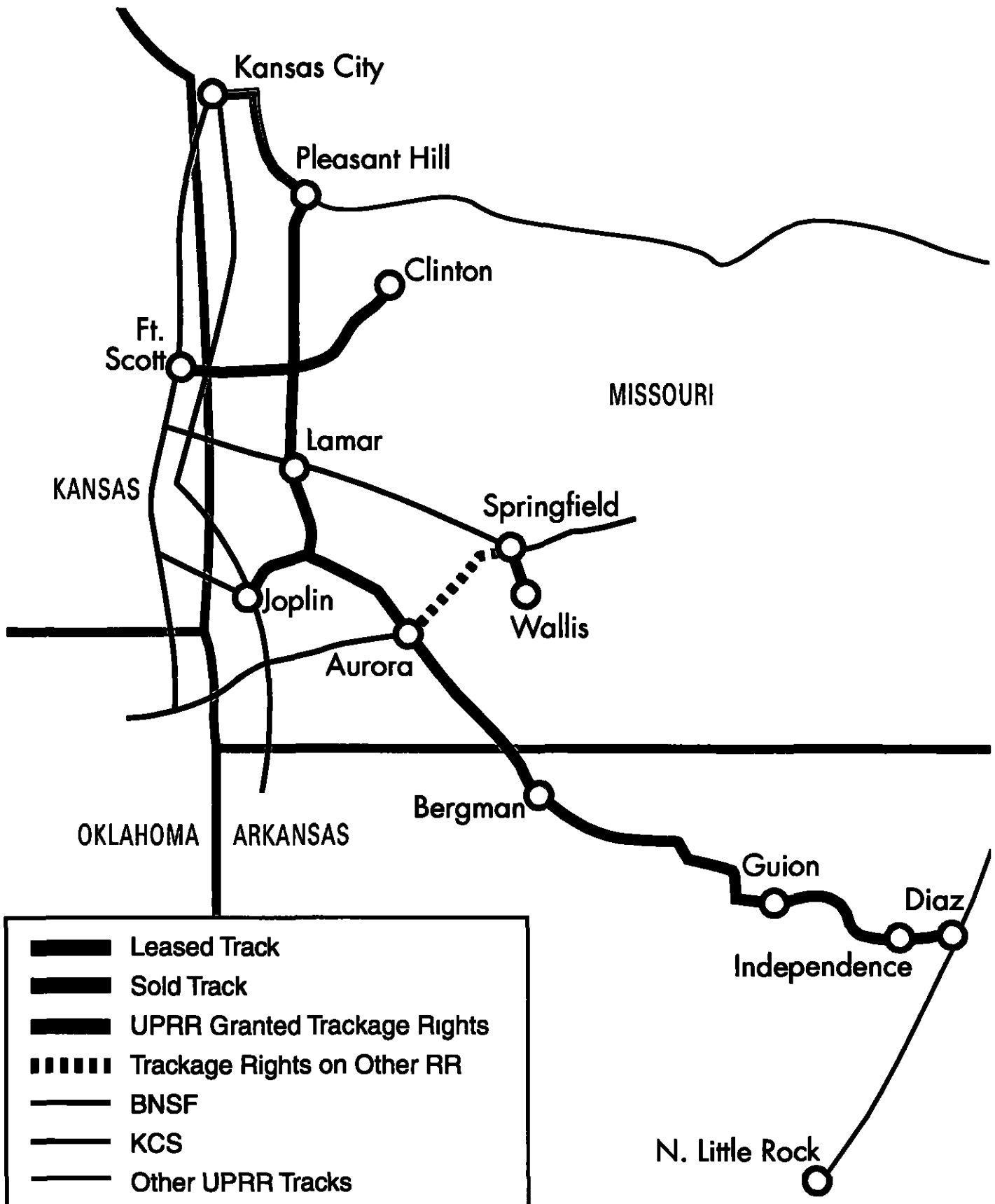
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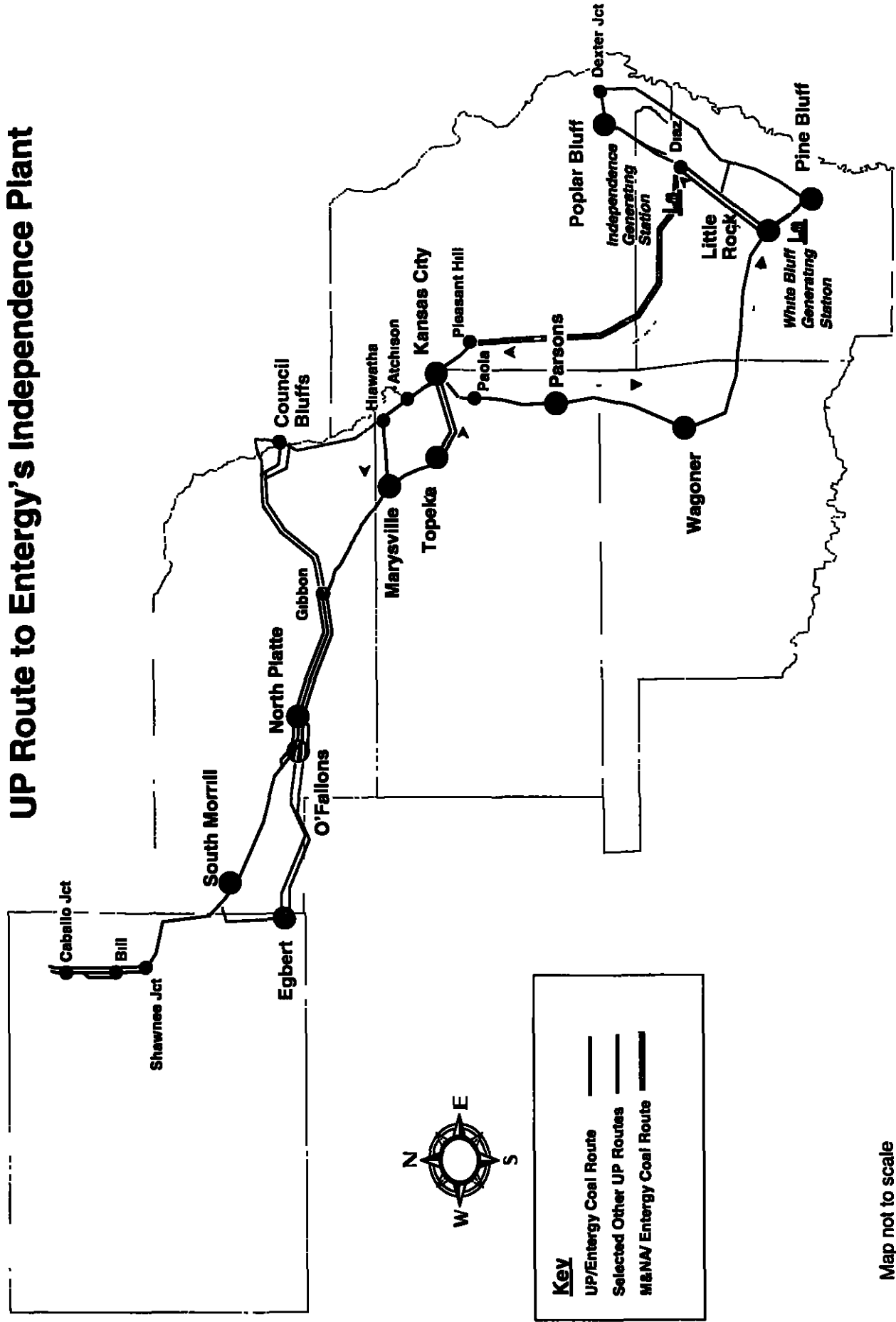
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M&NA Lines



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UP Route to Entergy's Independence Plant



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BEFORE THE
ARKANSAS PUBLIC SERVICE COMMISSION

FILED

IN THE MATTER OF AN INVESTIGATION)
INTO ENTERGY ARKANSAS, INC.'S)
INTERIM REVISION TO ITS ENERGY)
COST RECOVERY RIDER)

DOCKET NO. 05-116-U

REBUTTAL TESTIMONY

OF

THOMAS D CROWLEY

PRESIDENT

L. E. PEABODY & ASSOCIATES, INC.

ON BEHALF OF

ENTERGY ARKANSAS, INC

MARCH 15, 2006

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1 **I. BACKGROUND AND INTRODUCTION**

2 Q PLEASE STATE YOUR NAME AND BUSINESS ADDRESS

3 A My name is Thomas D Crowley My business address is 1501 Duke
4 Street, Suite 200, Alexandria, VA 22314-3449

5

6 Q BY WHOM ARE YOU EMPLOYED AND IN WHAT CAPACITY?

7 A I am an economist and President of L E. Peabody & Associates, Inc , an
8 economic consulting firm that specializes in fuel procurement, fuel
9 management and fuel transportation matters

10

11 Q PLEASE DESCRIBE YOUR EDUCATIONAL BACKGROUND AND
12 PROFESSIONAL WORK EXPERIENCE

13 A I have approximately 35 years of experience advising clients, including
14 electric utility companies, on a wide variety of issues, including economic,
15 marketing, transportation, fuel supply and fuel management problems I
16 have been involved in the negotiation of over 100 coal transportation
17 agreements, as well as provided consultation relating to the administration
18 of economic, operational, and logistical aspects of these agreements In
19 the course of performing these duties, I have obtained an intimate
20 familiarity with the major western railroads, The BNSF Railway Company
21 ("BNSF") and Union Pacific Railroad Company ("UP") (collectively the
22 "Railroads") This familiarity includes detailed knowledge of railroad
23 operations in the principal coal supply regions they serve, including the

1 A Yes I have advised EAI on certain matters under those Agreements over
2 the years, such as operation of rail rate adjustment procedures, equipment
3 issues, and rail costing analyses I also served as an expert witness on
4 rail transportation matters and EAI's damages in connection with its
5 litigation against the UP relating to delivery shortfalls in connection with
6 UP's 1997-1998 *service crisis related to its merger with the Southern*
7 Pacific Railroad In connection with that function, I also reviewed and
8 advised EAI concerning the current transportation agreement with UP
9 (UP-C-37743), which was a part of the settlement of the service litigation
10

11 Q WERE THE INCREASED CYCLE TIMES AND SHORTAGE OF
12 RAILCARS DURING MID-2004 AND 2005 DESCRIBED BY MR MOHL
13 UNIQUE TO EAI?

14 A No Based on my extensive work with PRB coal shippers, I know that
15 nearly all PRB supplied utilities also have been adversely affected by
16 BNSF's and UP's poor service The Railroads' poor service is a result, in
17 part, of shortages of rail cars, locomotives and crews – which has
18 contributed to the increases in cycle times and under-delivery of declared
19 tonnages for PRB coal shippers In the course of my work, I have
20 reviewed Federal Energy Regulatory Commission and Securities and
21 Exchange Commission filings, press releases by various utilities and trade
22 press articles that demonstrate that increased cycle times and reduced
23 delivery volumes is a widespread problem for PRB coal burning utilities

1 Through these public sources, I am aware of 20 different utilities reporting
2 problems similar to those experienced by EAI. A list of these utilities is
3 attached to my testimony at EAI EXHIBIT TDC-2.

4

5 Q ARE THE TONNAGE SHORTFALLS EXPERIENCED BY EAI UNDER ITS
6 RAIL TRANSPORTATION AGREEMENT UNIQUE?

7 A No. As stated above this is an industry wide problem. Of those utilities
8 reporting delivery shortfalls, the amount of the shortfall appears to be
9 similar across all of the utilities, i.e., like EAI, other utilities are receiving
10 only 80 to 85 percent of their declared volumes.

11

12 Q HOW WOULD YOU DESCRIBE THE CAUSE OF THE REDUCTIONS IN
13 DELIVERIES OF POWDER RIVER BASIN COAL BEGINNING IN
14 MAY 2005?

15 A The Railroads have cited a number of factors as the cause for the
16 reductions in deliveries of PRB coal. In addition to the causes identified in
17 Mr. Mohl's testimony, i.e., the *force majeure* event relating to the
18 derailment and weather event that caused the fouling of the ballast on a
19 substantial portion of UP's coal route, the Railroads have claimed that the
20 impact of these events was exacerbated by increased demand for PRB
21 coal.

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