

## PURPOSE AND NEED FOR THE PROJECT

The proposed project is designed to help TVA reduce fuel costs and meet the goal of maintaining competitive rates for its customers. Fuel costs at Kingston presently are above the average for TVA fossil plants and have the potential to increase during the next 15 years. In order for TVA to continue to provide the customer with electricity at the lowest possible rate, TVA must reduce cost where possible.

TVA now receives about 4 million tons of medium sulfur coal per year at KIF via rail. This coal comes from eastern Tennessee and southern Kentucky and is transported to Harriman, Tennessee by NS and CSX railroads; then is transferred to a NS rail line, and later to a TVA rail line for shipment to the plant. Due to limiting grades and curves the 100 car unit trains are broken down into approximately 30 car lengths and shuttled back and forth between the plant and the TVA's yard at Caney Creek and again to NS. Large mainline Locomotives cannot presently negotiate the existing track. The existing arrangement is inefficient and substantially increases TVA's fuel transportation costs. In addition to these inefficiencies, CSX origin coal is levied a switching fee. TVA's yard at Caney Creek is only accessible from NS owned tracks. CSX must deliver trains to the NS yard; NS then charges a switching fee to interchange the train to TVA's Caney Creek yard. This switching fee presently is approximately \$2 million dollars annually, and is expected to increase as TVA purchases more coal from CSX origin mines to meet the low sulfur coal requirements under the Clean Air Act.

The proposed project would provide both the NS and CSX direct access to the plant with full 100 car unit trains. This improved access would provide several advantages for TVA and the Kingston plant, which should save TVA up to 14 million dollars per year.

- Direct serve competition would exist between the two carriers.
- Direct access would eliminate TVA's operation and maintenance costs associated with the Caney Creek Yard haulage and the track into the plant. New materials and construction techniques will result in lower per mile maintenance costs on the new spur line.
- Switching fees would be eliminated and other costs currently associated with CSX deliveries would be reduced.

The proposed new line begins in the yard at Harriman at a point where equal access for full unit trains for both carriers can be easily provided. The line continues along the bank of the Emory river paralleling the existing NS track (river side) and turns eastward near Walnut Hill. It stays on the river side of Fiske Road and continues into the industrial park area turning with the terrain and climbing to cross the river. The route continues

generally southward near the Swan Pond community and terminates into our plant yard tracks at Kingston.

**Reduced traffic impact.** On the existing route between the plant and the NS yard at Emory Gap there are five at-grade crossings plus the two large crossings at HWY 27. This does not count any crossings that the trains may make within downtown Harriman itself. On the proposed new route there are but two county road crossings.

Are there any questions?

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