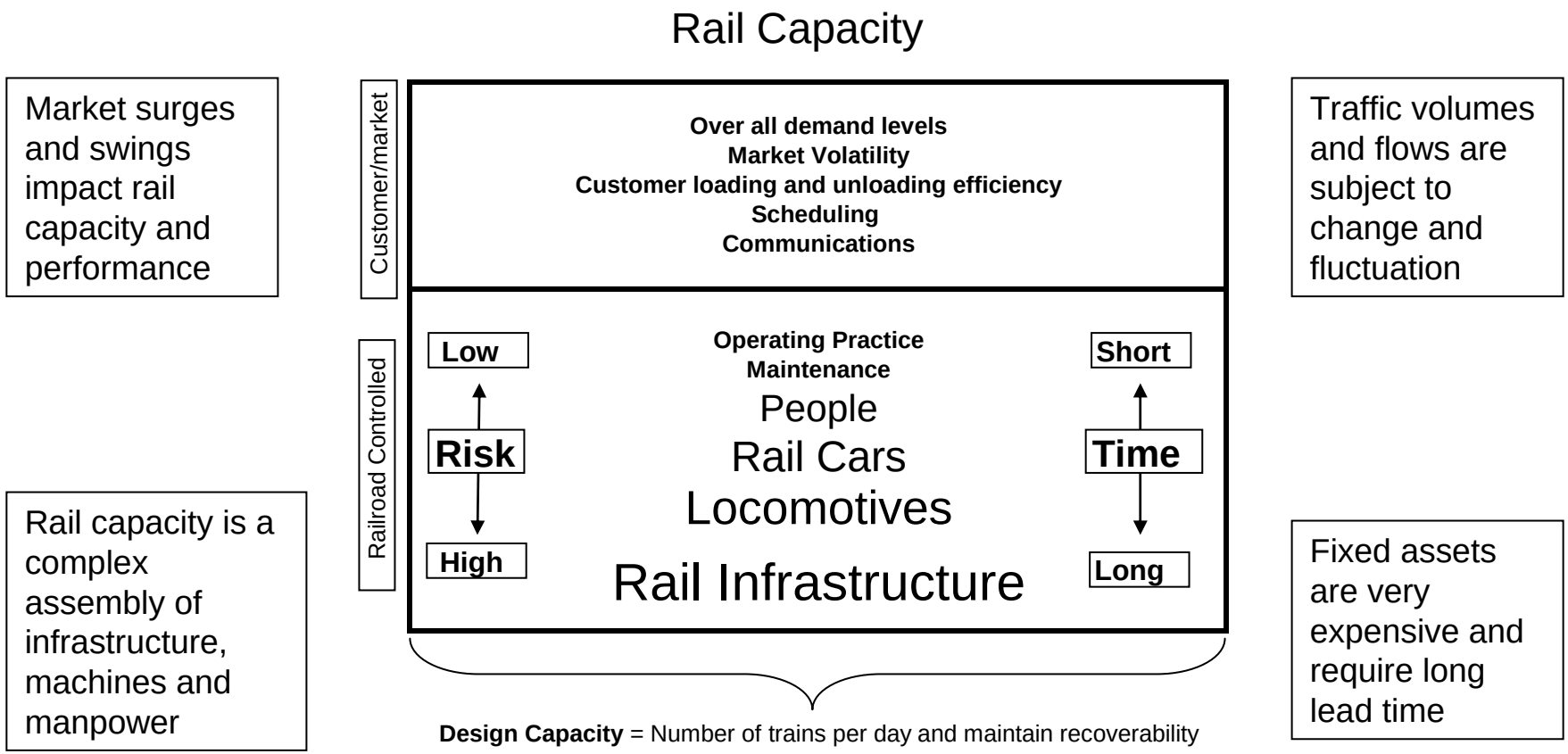
RETAC
Capacity Subcommittee
June 19, 2008

Meeting Held in Chicago on May 29th

- **Attending**
- William Berg – Dairyland
- Dirk Cook – Southern Company (Stand-in for Jeff Wallace)
- Sameer Gaur – GE Equipment Service (Stand-in for Jay Wileman)
- Daryl Haack – National Corn Growers
- Jim Redding – Aventine Renewable Energy
- Henry Rupert - CSXT
- Daniel Sabin – Iowa Northern

Railroads operate a largely fixed network in an open market environment



Several contemporary papers (CRS, CBO, AAR etc)

- Committee on Transportation and Infrastructure, April 22, 2008 - Summary of Matter; Hearing on Rail Capacity
- CRS Report for Congress, September 26, 2007 – Rail Transportation of Coal to Power Plants: Reliability Issues
- Congressional Budget Office, January 2006 – Freight Rail Transportation: Long-Term Issues
- Association of American Railroads, February 2008 – Freight Rail Infrastructure Tax Credit
- Association of American Railroads, September 2007 – National Rail Freight Infrastructure Capacity and Investment Study (Cambridge Systematics, Inc)

Generally focus on the following points:

- **Additional rail capacity is needed** if it is to relieve anticipated highway congestion in the future.

- While the railroads continue to reinvest in infrastructure and capacity, **there is a financing gap** that will have to be closed by outside funding.

- Short Line and Regional Railroads need to **spend considerable funds** for rehabilitation and capacity improvements **years before** revenue is available from traffic growth.

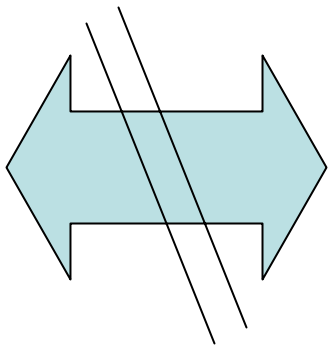
Takeaway's (cont'd)

- Various forms of public stop-gap funding are being discussed including an **investment tax credit for capacity**.
- **Who decides** where investments are made is a point of debate.
- It is generally acknowledged that **service quality deteriorates when railroads operate above capacity**.
- **Healthy railroads are a national priority**.

The needs of the Energy Network do not always match the attributes of rail

Energy network:

- Reliable
- Stable
- Flexible
- Options



Rail Network

Static:

- Infrastructure
- Rolling Stock
- Employees
- Long lead-time
- Costs

Dynamic:

- Maintenance
- Operating Practices
- Shared
- Open (common carrier)

Group created a working definition of the desired state for rail energy capacity

- The optimization of the energy supply chain (producers, receivers, railroads) that results in sufficient and reliable deliveries of energy resources to end users

Gap/issues raise by members

- The railroads do not have sufficient reserve capacity to create flexibility in coal sourcing options.
- There is a difference between need and lead time required to make rail infrastructure investments: when, where, how much, who pays?
- Communications, both short-term and long-term are poor with respect to needed investments.
- Rolling stock optimization, including car pooling should be considered.

Gap/issues, Cont'd

- Technology needs to be updated (GPS, etc)
- Uncertainty around regulatory compliance (CO2) creates a huge impediment to making industry level investment decisions.
- Reliability of the flow of energy products includes shipper and receiver practices.
- Railroads should consider a "national" flow model to improve capacity of railroads overall – "one tool" and help make informed investments, provide predictive and simulation capabilities and be "state of the science".
- Equipment needs to be more "visible".

Next steps include

- Face-to-face meetings on a quarterly basis with the next one potentially in Huntington, WV
- Feedback and guidance on the issues raised by the Sub Committee (at the June 11th meeting)
- Develop prioritization of the issues and game plan

Thanks!