Minutes
Rail Energy Transportation Advisory Committee
December 1, 2009

The Surface Transportation Board's Rail Energy Transportation Advisory Committee (RETAC) convened at the Federal Energy Regulatory Commission (FERC) offices in Washington, D.C., on Tuesday, December 1, 2009. William Berg, co-chair, called the meeting to order at approximately 9:00 a.m. The meeting agenda and copies of referenced documents presented during the meeting are attached separately to these minutes.

Attendance:

Federal Energy Regulatory Commission
Marc Spitzer, Commissioner

Surface Transportation Board:
Daniel R. Elliott III, Chairman
Charles D. Nottingham, Vice Chairman
Francis P. Mulvey, Commissioner
Scott Zimmerman, Designated Federal Officer
Marilyn Levitt, Committee Management Officer
Reamy Ancarrow, Office of the Chairman
Anika Cooper, Office of the General Counsel

RETAC Members:
Bill Berg, Co-chairman
Stevan Bobb, Co-chairman

Susan Arigoni	Dan Kuehn	Darin Selby
Bruce Blanton, USDA	Ed McKechnie	Alan Shaw
Robert Gabbard	Betsy Monseu	James Stem
John Gray	Rob Ortner (for Robert Hulick)	Jeff Wallace
Scott Greene, FRA	Anthony Reck	
Daryl Haack	Henry Rupert	
Paul Hammes	Dan Sabin	

FERC Commissioner Marc Spitzer, STB Chairman Daniel Elliott, Vice Chairman Nottingham and Commissioner Mulvey welcomed the committee and provided comments regarding the challenge for this group to span the cultural divide with Rail/Energy industries in order to provide reliable, low cost energy to our consumer customers. Additional comments also covered anticipation of the STB reauthorization bill as well as the results of the UN meeting on Climate about to be held at Copenhagen later this month.

Bill Berg and Stevan Bobb welcomed their new roles as Co-chairmen and thanked the previous Co-chairmen Alan Shaw and Jeff Wallace for their contributions to the progress of the committee efforts.

Minutes of the September 10, 2009, meeting of the RETAC Committee were approved.

Rob Ortner reported that the committee fund totaled $1786.38. The funds were to be moved to a new checking account under the signature authority of Robert Hulick, Secretary/Treasurer.

An updated contact list was distributed by Scott Zimmerman.

Co-chairman Bobb reminded members to select subcommittees to assist in furthering the activities of the committee.

FERC Issues

Commissioner Spitzer discussed the variety of issues that FERC studies, including mine to stockpile transportation; capacity capabilities of the system; and certain technical, mining and economic issues affecting the nation’s ability to supply power. He also touched on the future opportunities of coal/natural gas relationships and the expanded gas supply. FERC will be tracking carbon capture and storage technologies and pilot projects, but with primary focus on the reliability of the grid and mandatory enforcement of established standards across the country.

EPRI briefings on recent analyses concerning fuel supply and carbon capture and storage (CCS)

Henry “Hank” Courtright, SVP EPRI (Electric Power Research Institute), presented “The Electricity Technology Challenge,” which discussed the challenge of the de-carbonizing of the electricity infrastructure and the necessity to provide reliable, affordable and environmentally responsible electricity to consumers. Two key challenges are to develop CCS, and to keep down the cost of electricity to consumers. A concern was raised by Member Reck that if the price of electricity rose too much, that industrial jobs would be shifted to overseas companies, not battling similar environmental requirements. The presentation is provided separately and the full study is available on the EPRI website, epri.com.

EIA Forecast Update

Diane Kearney presented the Energy Information Administration’s AEO2009 Outlook for U.S. Coal through 2030. Diane’s presentation was not strikingly different in expectation from the EPRI briefing, with focus on conversion to a variety of fuel sources and the need to develop an economic approach to CCS. Natural gas’s future in the mix hinges on CCS for gas by 2030. The EIA forecast is for 800 MT of coal per year by 2030 versus a current burn of approximately 1000 MT in 2009. Again, changes in the assumptions based upon current legislation in Congress can alter these findings, but this appears to be a likely scenario going forward. The presentation slides are provided separately.

Subcommittee Updates:

1) **Capacity Planning –** No meeting had been held since the September meeting. With business off in 2009, capacity constraints are not now an issue or one expected in 2010. Train speeds have improved during the downturn. Comments from the rail representatives indicated an ability to rebound quickly as business returns to earlier levels.

2) **Performance Measures –** Betsy Monseu reviewed the attached data dashboard report. Her comment from the WSJ summed up the current situation, "There will be plenty of coal for stockings this year!" Coal production is down 55MT this year and inventories at the utilities are up 32% currently. Mild weather and low cost natural gas have reduced coal consumption. Betsy briefly reviewed the dashboard report, which includes train speeds by railroad as well as coal carloads.

3) **Best Practices –** Susan Arigoni reported the first draft of the subcommittee White Paper covering RETAC Best Practices will be prepared for discussion at the next meeting. A draft was nearly complete but needed some added work before release to the Committee.

4) **Communications –** Edward McKechnie reported that the work of this Subcommittee will be defined by agreed upon RETAC guidelines for distribution of information beyond the STB. No meeting was held since the September RETAC meeting.

Roundtable Discussion:

Co-chair Bobb opened up the discussion. Changes in the economic drivers for this industry have changed significantly. We are entering a third straight year of soft market conditions reducing the base load levels. Declines in demand for power and very high coal inventories have significant implications for 2010. The pace of capital spending will be studied as it relates to economic returns and volume forecasts. Bill Berg added that there is reduced demand for electricity along with the parallel impact of low prices for natural gas displacing any growth in coal.

Member Gabbard from PPL also indicated that natural gas (NG) was driving down the demand for coal. Eastern inventories are 33% higher than normal. Member Kuehn from LCRA reported that there is a significant initiative in Texas to build Wind Farms, which will eventually have an effect on coal burn. They expect to have the Wind system producing 18000 MW by 2015, with backup support from NG peaking units.

Henry Rupert indicated that the growth that CSX expects due to the economic recovery in 2010 will likely be muted, due to the large stockpiles at utilities in the East. Capital budgets for the railroads (15% of revenues) are made up of 70% for maintenance and 30% for capacity improvements and efficiencies. The presentations made today regarding coal's future growth were certainly sobering.

John Gray indicated that the expected announcement from the government approving E15 for ethanol blending will spur additional capacity in the marketplace. Biomass is being studied but has been slow to come on line due to economic issues.

Members Arigoni, Wallace and Berg indicated that their forecasters were looking at a zero growth scenario for electrical generation in 2010. One percent growth would be considered quite positive. Member Stem was encouraged by the recent investment made by Warren Buffet in BNSF and lauded this as a bullish statement for rail freight operations. He expects a long term rail renaissance.

Discussion topics will be reviewed by the Co-chairmen for possible assignment to the subcommittees for additional review. Stevan Bobb urged members to get involved with Sub-committees.

The meeting was adjourned at 11:50 a.m.

Next Meeting Date

Tuesday, March 23, 2010, 9:00 a.m., at STB headquarters in Washington, D.C.