

Surface Transportation Board
Rail Energy Transportation Advisory Committee
Meeting Minutes
April 14, 2015

The Surface Transportation Board's (STB) Rail Energy Transportation Advisory Committee (RETAC) convened at STB Headquarters in Washington, D.C., on April 14, 2015. RETAC Co-Chair Darin Selby called the meeting to order at 9:00 a.m. The meeting agenda and copies of referenced documents are available on the STB's website at <http://www.stb.dot.gov/stb/rail/retac.html>.

Meeting Attendance

Surface Transportation Board:

Deb Miller, Acting Chairman
Brian O'Bolye, Chief of Staff
Ann D. Begeman, Vice Chairman
Michael Higgins, Designated Federal Officer

RETAC Committee Members:

Michael Wade (for Dave Garin)	Mark Hamilton	Ed McKechnie
Bob Hulick	Tony Reck	Shawnteel Kroese (for Beth Whited)
John Gray	Dan Sabin	Darin Selby
Mark Huston	Kent Smith	Jeff Wallace
Jerry Tamborski (for Lee Johnson)	Amy Newton	Jill Harrison
Dennis Rackers	Donna Cerwonka	Brad Hildebrand
John Carr	Tom Scargle	Paul Taylor

Meeting Content

Acting Chairman Miller and Vice Chairman Begeman welcomed the committee and members of the public and offered opening remarks. Acting Chairman Miller noted the difficulty in deciding to postpone the meeting originally scheduled for March 5, 2015 due to inclement weather, and thanked members for their understanding. New committee members were welcomed and outgoing members were thanked for their work on the committee.

Co-Chairman Selby welcomed the committee, thanking the guest speakers for their attendance and time spent in preparation for the meeting.

Minutes of the committee's October 2, 2014 meeting were approved.

Secretary/Treasurer Hamilton reported that current available committee funds were \$115.86 as of January 1, 2015. Emails have been sent to the membership regarding the replenishment of funds and to date \$1,100.00 has been received. The RETAC Committee Fund currently stands at \$1,215.86. Members who have not yet sent in their check were reminded to do so and an additional email will be forthcoming.

Darin Selby introduced the new members and thanked the retiring members for their service to the committee.

- John Carr (new) Dairyland Power Coop.
- Donna Cerwonka (new) CSX Transportation, Inc.
- Tom Scargle (new) Philadelphia Energy Solutions
- Dennis Rackers (new) NIPSCO
- *Henry Rupert (departing)* CSX Transportation, Inc.
- *Bill Berg (departing)* Dairyland Power Coop.

It was announced that Co-Chairman Robert Gabbard was retiring. Michael Higgins, DFO, will review the RETAC charter and determine the process to replace Mr. Gabbard.

Performance Measures

Shawnteel Kroese presented a review of Performance Measures (copy attached).

Industry Segment Updates

1. Railroads

Member Mark Hamilton reported that, while rail service was not up to the level customers have come to expect, it has improved since the last meeting. The railroads continue to take the necessary measures to improve performance and are doing the things they committed to do in order to achieve the desired level of service. Class I railroads plan to spend \$29 billion – an all-time record - in capital this year alone. Hiring is expected to reach 15,000 people to cover attrition and retirements, as well as growth in 2015. It was noted that policymakers can help the railroads grow stronger by avoiding regulations that discourage private rail investment. The rail industry remains concerned that several proposals pending before the Board could compound service challenges that the industry encountered in 2014.

2. Utilities

Member Amy Newton presented the utility update (copy attached). Stockpiles are up and rail service continues to improve since October. Year over year coal consumption is expected to be comparable with there being no significant issues with coal availability. Only one generator reported low inventories as a result of rail service.

3. Mines

Member Jill Harrison presented an update (copy attached). Shift in coal basins continues due to production costs. Central Appalachian (CAPP) production continues to decline while Illinois Basin (ILB) is increasing. Given the current shift from coal to gas, coal availability is a concern if gas prices increase significantly in the future. Member Harrison commended the railroads for their communication of service disruptions, during severe weather in first quarter 2015. The likelihood of a west coast export terminal is projected to be at least 5 years away.

4. Ethanol

Member John Gray presented an update (copy attached). Corn production is up resulting in two consecutive years of record crops. Improvements in technology and science have resulted in the yield being up from 123.1 BU/Acre in 2013 to 171.0 BU/Acre in 2015. Production is up 29% while consumption is only up 19%. Rail service has improved but still has work to do. There is concern in the industry about the new tank car regulations and its impact on ethanol production and the corn market. Ethanol production should far exceed U.S. consumption, which is expected to increase exports by 7%.

5. Cars

Member Robert Hulick presented an update (copy attached). Additional chemical capacity should be available in 2016-17 with strong production and deliveries of tank cars. The DOT/PHMSA (HM251) final rule is due out May 2015. Car builders delivered 67K cars in 2014 with an expected increase of 36% to 90K in 2015. The demand for cars continues to be in chemicals, sand and agriculture sectors.

6. Oil

Member Jerry Tamborski presented an update (copy attached). There are 2.5M jobs supported by the unconventional development of crude fields in 2015, and by 2025, the US Gross Domestic Product (GDP) is forecasted to increase by \$533 billion. Recently falling oil prices have driven domestic rig counts down by approximately 50% since 2012/13 and some additional rigs are expected to fall out. There are concerns over the final tank car rule and the effect it could have on car supply. Rail is an important delivery mode for east and west coast refineries.

Guest Presentation – Special Topics

Rayola Dougher, API Senior Economic Advisor – Oil Market Outlook and Energy Policy Issues. Mrs. Dougher presented an overview of oil production. U.S. production increased 73% from 2008 to 2014. World growth in crude oil production surged ahead of consumption in 2014, but it is expected to fall off in 2015 and 2016. Refining capacity continues to grow despite a decline in refineries in the U.S. Crude oil exports benefit all 50 states with jobs and economic growth and will reduce America's trade deficit by \$22 billion by 2020. Taxes may drive the production of oil in the U.S. in the future. Higher taxes will mean lower production, less jobs and less government revenue.

Additional Matters

Michael Higgins, DFO, reported there were no written public comments received by the STB:

Roundtable Discussion – there was no further discussion.

The next meeting date was set for October 1, 2015, at the STB's headquarters in Washington, D.C.

The meeting was adjourned at 1:15 p.m.

Respectfully submitted,

/s/ Mark Hamilton

Mark Hamilton
Secretary/Treasurer

Certified by:

/s/ Darin Selby

Darin Selby
Co-Chairman

June 23, 2015