

Meeting Minutes
Surface Transportation Board
Rail Energy Transportation Advisory Committee
April 15, 2016

The Surface Transportation Board's (STB) Rail Energy Transportation Advisory Committee (RETAC) convened at BNSF Headquarters in Fort Worth, Texas, on April 15, 2016. Co-Chair Darin Selby called the meeting to order at 9:00 a.m. The meeting agenda and copies of referenced documents presented during the meeting are attached to the email distributing these minutes. This information is also available on the STB's website at: <http://www.stb.dot.gov/stb/rail/retac.html>.

Meeting Attendance

Surface Transportation Board:

Daniel R. Elliott III, Chairman

Deb Miller, Vice Chairman

Ann Begeman, Board Member

Katherine Bourdon, Designated Federal Officer

U.S. Department of Agriculture:

Bruce Blanton

U.S. Department of Energy:

None

U.S. Federal Railroad Administration:

Scott Greene

Guest Speakers:

Stevan Bobb, Executive Vice President and Chief Marketing Officer, BNSF

RETAC Members:

Darin Selby Robert Hardman Mark Hamilton

John Carr Barb Porter Bob Hulick

George Duggan Scott Teel Tony Reck

John Gray Dan Sabin Darin Selby
Kareen Gray Dennis Rackers Beth Whited
Brad Hildebrand Lee Johnson Donna Cerwonka
Mark Hutson
Allen Childress (attending in place of Jill Harrison)
Rick Spurlock (attending in place of Paul Taylor)
Brian English (attending in place of Bob Guy)

Meeting Content

Stevan Bobb, BNSF Executive Vice President and Chief Marketing Officer welcomed the STB and RETAC Committee to the BNSF Headquarters and gave an overview of the BNSF Network Operations Center. George Duggan provided a safety briefing for the group. Chairman Elliott, Vice Chairman Miller, and Board Member Begeman offered opening remarks. They thanked Union Pacific, General Electric, and BNSF for providing the group with tours and the meeting location. The tours were very informative and well received by the group. Chairman Elliott addressed implementation of the STB Reauthorization Act, including notices of proposed rulemaking to be issued in late May and rate case improvements to be released in June, and Vice Chairman Miller and Board Member Begeman made comments afterward. Vice Chairman Miller also asked for suggestions and improvements for SAC. Board Member Begeman appreciated the tours and spoke about the arbitration and mediation process which could, in the future, be an alternative to the long, drawn out SAP process. Brad Hildebrand asked Chairman Elliott about the proceeding to improve agriculture rate cases, and Chairman Elliott mentioned that the report issued on April 1, 2016, on the Board's website, covers that case and other pending rulemakings.

Preliminary Matters

New Member Barb Porter was introduced. Co-Chair Rob Hardman addressed the Board members and spoke about the current changes in the market and the associated challenges in order to match the supply with demand.

Minutes of the December 1, 2015 were approved.

Secretary/Treasurer Hamilton reported that current available committee funds are \$1810.79. There are five members left to pay the assessment.

Member Ed McKechnie could not attend; therefore no Review of Performance Measures was provided at the meeting. The report will be made available at a later date and included in this report (copy available on RETAC website).

Industry Segment Updates

1. Railroads

Member George Duggan reported the overall Class I rail infrastructure and service continues to be excellent. This is in large part due to the railroads putting more than \$600 billion back into the railroads from 1980 to 2015. Carriers are projected to spend \$26 billion on infrastructure and equipment in 2016 after spending some \$30 billion in 2015, an all-time record. The railroads have made these massive expenditures notwithstanding the fact that the U.S. economy has been underperforming, which has negatively affected rail traffic. Hundreds of locomotives and tens of thousands of cars have been placed in storage, and employment on the railroads has fallen more than 11% from its peak in April 2015. Federal Regulators are encouraged to reexamine the facts and exercise sound regulatory judgment before mandating the number of crew members present on each locomotive.

2. Utilities

Member Dennis Rackers presented the utility update (copy available on RETAC website). Utilities are concerned about the health of the coal industry, with a number of suppliers in bankruptcy. Coal production is expected to decline to 111 million short tons (-12%) in 2016, the largest annual percentage decline since 1958. Natural gas is expected to fuel 33% of generation in 2016 compared to 32% for coal. Total coal production is expected to stabilize in 2017.

3. Mines

Member Barb Porter presented an update (copy available on RETAC website). Porter reported coal production continues to decline in the US. While only 896 million tons were produced, the demand was only 875 million tons resulting in increased stockpiles and declining prices. The mild winter, high natural gas inventories, and low gas prices prevented coal from being in the mix for power generation. Domestic and international prices remain challenged further impacting production.

4. Ethanol

Member Brad Hildebrand presented an update (copy available on RETAC website). Corn crops were excellent in the U.S. in 2015. South American crops were also strong and are being imported today. The strength of the dollar and the availability of corn worldwide will weaken the export market this year. 93.6 million acres of corn will be planted this spring.

Ethanol production remains strong due to lower gasoline prices and more travel. 780 million gallons are expected to be produced this year in the U. S. alone. Soft drink consumption is at a 30 year low in the U.S. today resulting in less demand for corn syrup.

5. Railcars

Members Kareen Gray and Bob Hulick presented an update (copy available on RETAC website). The railcar business is still good, despite the decline in orders. There are approximately 400,000 cars in storage with the energy markets being hit the hardest. The only equipment in which demand has increased is boxcars. Some producers are now moving gasoline and diesel fuel in tank cars.

6. Oil

Member Lee Johnson presented an update (copy available on RETAC website). Producers are focused on productivity and reduction of costs in a challenged market. WTI spot in April was \$36.82 compared to \$101.46 in April 2014. This has resulted in the current land rig count being down 77% from the 2014 peak. The supply and demand has reverted back to 2012 levels with no improvement in sight.

Guest Presentation – Special Topics

None.

Additional Matters

Katherine Bourdon, Designated Federal Officer, reported that no written public comments related to RETAC had been received by the STB.

Roundtable Discussion – Brad Hildebrand questioned whether, given the state of the industry, it was necessary to meet twice a year and, if so, whether it could be done by telepresence. Vice Chairman Miller responded that the charter did not allow for less than two meetings a year but would see what it would allow for.

The next meeting date was not set. To be announced at a later date.

The meeting was adjourned at 12:10 p.m.

Respectfully submitted,

/s/ Mark Hamilton

Mark Hamilton
Secretary/Treasurer (former)

Certified by:

/s/ Robert Hardman

Robert Hardman

RETAC Co-Chair

April 15, 2016

/s/ Darin Selby

Darin Selby

RETAC CO-Chair

April 15, 2016