

Mr. Jack Finnerty  
Board of Directors  
On behalf of Wheatland Rural Electric Association, Inc.  
And  
Tri-State Generation and Transmission Association, Inc.

Testimony before the Committee on Resources  
Subcommittee on Water and Power  
United States House of Representatives

**“Keeping the Lights On and Maintaining Wyoming’s Jobs: Overcoming the Challenges Facing  
Western Power Generation Facilities”**

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Mr. Chairman and Members of the Committee:

My name is Jack Finnerty, and I am a local rancher, a board member of Wheatland Rural Electric Association the local electric cooperative, a board member of Tri-State Generation and Transmission Association, a not-for-profit wholesale power supply cooperative that generates and transmits electricity to forty-four member distribution cooperatives and public power systems in Colorado, Nebraska, New Mexico and Wyoming. I also sit on the board of directors of Western Fuels Colorado, a subsidiary of Western Fuels Association, a not-for-profit cooperative that supplies coal and transportation services to consumer-owned electric utilities throughout the Great Plains, Rocky Mountain and Southwest regions. Serving a wide variety of public power entities ranging from rural electric generation and transmission cooperatives to municipal utilities, Western Fuels offers its members diverse and extensive expertise in coal mining, coal procurement and transportation management.

I appreciate this opportunity to appear today to discuss railroad issues that have risen to the top of the policy agenda for the organizations that I represent here today. I believe that hauling rate issues and delivery problems with coal will have a significant negative impact on local cooperative members like myself and electricity customers nation-wide if they are not resolved.

Coal, Electricity Reliability and Obligation to Serve

As a board member of a member-owned, not-for-profit electric cooperative, it is the cooperative’s mission and obligation to provide a reliable source of electricity to our member-consumers at the lowest possible price. We take this obligation to serve very seriously. We are keenly aware that we provide an essential service to our customers. The people that live in the communities that we serve depend on this electricity to run their businesses, to light, heat and power their homes, and to run the hospitals and other emergency services needed to keep the people in rural America safe and healthy.

In addition to our obligation to meet our members’ electric needs in a cost effective fashion, we have to ensure that we maintain the reliability of the electric utility system as well.

The railroad industry, like electric utilities, should also be subject to an obligation to serve its customers and the national interest. There is an obligation to provide reliable transportation service at reasonable rates to its customers across the nation. Without requiring that the nation’s railroads meet an obligation to serve, our nation’s national economy is stymied and our nation will not sustain necessary levels of economic growth and global competitiveness. Adequate, dependable and reasonably priced rail service is, like electricity, critical to our national and economic security interests.

The Surface Transportation Board has shown little interest in rail service issues and has no history of directing railroads to provide service to shippers where service is inadequate. As a co-op that receives power from the Laramie River Station (LRS), a coal-based generating plant here in Wheatland Wyoming, our member-consumers have been hit directly at LRS by both increased rail rates and reduced coal shipments. Indeed, the member-consumers of LRS are paying more and receiving less rail service.

LRS is served by a single railroad, Burlington Northern and Santa Fe Railway Company (BNSF). BNSF delivers 8.3 million tons of coal annually from the Powder River Basin to LRS, a distance of approximately 175 miles.

In order to maintain efficiency, coal-based generating plants like Laramie River Station are run nearly continuously.

Maintaining full generation levels at the 1,650 megawatt level, the three-unit LRS plant requires 24,000 tons of coal per day, the equivalent of one and a half trains of coal daily. (A train consists of about 136 rail cars, each carrying about 120 tons of coal.) In addition, a coal stockpile is maintained at the plant site, which is used as backup in case of an interruption in rail deliveries. To maintain reliability of service, the plant typically tries to maintain more than a 30 day supply of coal in the stockpile. Earlier this year, coal delivery problems resulted in a stockpile that would serve the plant for only 6 days. If the stockpile at LRS had been depleted any further, they would have been forced to curtail generation at a significant cost to the member-consumers. If LRS had been forced to curtail electricity generation, they would have had to either use natural gas generators – a fuel that costs as much as 5 to 7 times more than coal – or buy electricity on the open market, if available, at much higher costs than the electricity produced at LRS. Fortunately, stockpiles at LRS are now back up due to improved delivery times from BNSF and, more importantly, to a scheduled seven week maintenance outage of one of the three units this spring and the addition of a fourth train set, at a cost of about \$10 million.

Other generating stations have experienced similar problems and have cut production at plants that are normally the least costly to operate. Electricity generators have resorted to burning more expensive natural gas, purchasing higher cost electricity from the open market, or purchasing and importing more expensive foreign coal.

Our nation is blessed with enormous reserves of coal that can provide for electricity and other uses for many decades in the future. Some of the largest reserves are located here in Wyoming and I am discouraged by the fact that we cannot deliver this commodity more reliably.

I believe under the current supervision of the Surface Transportation Board, railroads are allowed to charge above market rates where there is no viable transportation competition and we must be satisfied with whatever level of service the railroads provide. In addition, with demand for railroad services far exceeding the supply of railroad capacity, the railroads have what Wall Street analysts identify as “perfect pricing power.” Thus, in the absence of governmental supervision, the railroad industry may have no incentive to jeopardize their pricing power by adding sufficient capacity, particularly for rail customers, that have no access to transportation options. Unless the railroads provide sufficient and reliable transportation capacity for our coal movements, we will continue to face reliability problems for the foreseeable future.

#### Rail Rate Concerns

Mr. Chairman, about 50% of the nation’s electricity is generated from coal. In the electric cooperative community, about 80% of the electricity generated by our plants is from coal. Very few of the generating facilities are located at coal mine sites, so most of the coal consumed is delivered by rail.

Coal delivery costs flow straight through to our customers, many of whom are farmers and ranchers like myself, who are already paying significantly higher operating costs because of increased energy costs. When we must rely on a single railroad to move coal to the plants, we are in no position to negotiate a mutually acceptable price. Rather, both price and service are provided to us by our railroad carrier. “Captive” rail shippers are forced into an arbitrary “take-it-or-leave-it” situation and face higher rail transportation costs than those shippers that have access to competition.

#### Conclusion

From my perspective we are faced with a national rail system that may not be able to deliver coal to the nation’s generators reliably and at reasonable costs unless changes are made. I recognize that all rail traffic is growing and there is a need for investment in railroad infrastructure and I support these needed investments, but it must come with oversight that ensures the reliable delivery of coal resources.

Mr. Chairman, thank you for conducting this hearing today. I support a strong and viable rail industry that will provide reliable service to its customers at fair and reasonable prices.