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**HIGH CAPTIVE RAIL PRICES, DETERIORATING SERVICE REQUIRE  
BETTER STB OVERSIGHT, PUBLIC POWER EXECUTIVE TELLS HOUSE COMMITTEE**

**WASHINGTON, D.C., September 25, 2007** – The City of Lafayette, La., has had to accelerate replacement of its steel rail cars with aluminum rail cars, purchase barge-delivered coal from Venezuela, and truck lignite from Northwest Louisiana to shore up its electric fuel inventory in the face of recurring service problems from the single railroad serving the main power supply for the community, Terry Huval, director of Lafayette Utilities System (LUS), today told the House Transportation and Infrastructure Committee during a hearing on rail competition and service.

“It is our local citizens and business who are ultimately impacted through the payment of higher electric utility costs due to these extraordinary measures LUS has had to take to ensure reliable power,” he said. In his oral testimony, Huval described the typical financial impacts on LUS customers due to rail pricing abuse and poor reliability.

Huval – who also chairs the American Public Power Association’s board of directors and is active in CURE, a coalition of captive rail customers – urged the committee to support H.R. 2125, the Railroad Competition and Service Improvement Act, as a step in the right direction toward protecting consumers from economic abuses by monopoly rail providers.

The bipartisan bill, introduced in May by Reps. James L. Oberstar (D-MN) and Richard Baker (R-LA), would require railroads to quote rates to their customers upon request between any two points on their system, and remove “paper” barriers that prevent short-line railroads from connecting to more than one major railroad. It also emphasizes the railroads’ essential function and “obligation to serve,” and empowers and sharpens the market power investigatory teeth of the Surface Transportation Board.

Huval described how his utility and co-owners obtain an annual 2 million tons of coal from the mines in the Wyoming Powder River Basin (PRB) to fuel the 523-MW coal-fired Rodemacher Power Station Unit No. 2 in Boyce, La., of which Lafayette is a 50% owner. Lafayette owns and maintains two train sets of steel rail cars for a total of 241 cars, which are used to ship its allocation of the needed coal supply some 1,500 miles by rail to the plant. “These cars are still in good condition,” said Huval, “but the reliability of coal deliveries dropped sufficiently that Lafayette has decided to prematurely sell its steel cars and buy lighter aluminum rail cars that will allow an extra 17% more coal to be hauled in them. This action by Lafayette would not have been necessary if it had not been for severe rail reliability problems due to lack of sufficient maintenance of the rail corridors used for coal shipments.”

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While his utility theoretically has competition for 99 percent of the 1,500 miles of needed rail service, Huval said his situation is that of a classic captive shipper. The last 20 miles to the Rodemacher power station is served by only one railroad – the Union Pacific Railroad Company (UP). “UP uses its ‘bottleneck’ control over rail line facilities at plant destination to extend its 20 miles of monopoly power to the entire 1,500 miles of the route from the PRB to Rodemacher. In other words, UP’s exclusive control of one percent of the involved essential rail lines enables UP to control 100 percent of the Rodemacher movements,” he said. Under current regulations, Rodemacher is only able to get one rate for service that locks it to the UP: a rate for the entire PRB-to-Rodemacher trip.

After a failed attempt to negotiate reasonable rates and terms with UP when LUS’ contract expired at the end of 2005, Huval said LUS today pays 26 percent higher rates under a new pricing scheme. “Further, UP refused to provide us with any effective service guarantees, which we always had under our prior contractual arrangements with UP,” Huval testified. “To add insult to injury, our rail service has generally deteriorated since 2004, as UP has suffered well-known PRB coal delivery problems in 2005-2006. Thus, LUS is saddled with paying much higher rail rates with no service guarantees, and virtually no ability to seek compensation for UP’s service failures.”

“I wish I could tell you today that the railroad competitive and service situation is better than it was three years ago when I appeared before the Committee,” Huval said. “Unfortunately, things are not better. In fact, things have grown substantially worse, and I believe there is more need than ever for Congress to step in and address these important issues.”

*Huval’s testimony is posted on APPA’s Web site at:*

*<http://www.appanet.org/pressroom/index.cfm?ItemNumber=12425&sn.ItemNumber=12422>*