

January 17, 2005

LARAMIE RIVER STATION
CAPTIVE SHIPPER & VICTIM OF RAIL MONOPOLY ABUSE
**(Colorado, Iowa, Minnesota, Montana, Nebraska, New Mexico, North Dakota,
South Dakota and Wyoming)**

- The Laramie River Station (LRS), situated near Wheatland, Wyoming, is owned by Basin Electric Power Cooperative, Heartland Consumers Power District, Lincoln Electric System, Tri-State Generation and Transmission Association, Missouri River Energy Services, and Wyoming Municipal Power Agency. All are not-for-profit organizations. LRS is a coal-based electric generating plant that is served by a single railroad, the Burlington Northern and Santa Fe Railway Company (“BNSF”). BNSF delivers 8.3 million tons of coal annually from the Wyoming Powder River Basin (“PRB”) to LRS, a distance of approximately 175 miles. LRS produces power for over 1.8 million consumers located in the states of Colorado, Iowa, Minnesota, Montana, Nebraska, New Mexico, North Dakota, South Dakota and Wyoming.
- BNSF’s rate actions are unprecedented. Between 1984 and 2004, BNSF enjoyed a highly lucrative transportation contract delivering coal to LRS. This contract expired at the end of September 2004. In October 2004, BNSF unilaterally imposed massive freight rate hikes on the LRS traffic. These increases more than doubled LRS’ prior freight rates. The initial tariff rates are projected to double again over time. No captive coal shipper has been exposed to such a raw, unbridled exercise of monopoly price gouging. The increased rates are four times BNSF’s average coal rates (on a distance adjusted basis) and produce rate/cost ratios in excess of 400%. Left unchecked, the increases will cost LRS-served customers \$1 billion over the next twenty years.
- The Surface Transportation Board (“STB”) in theory regulates captive coal transportation prices. Basin Electric, the operator of the LRS station, and Western Fuels Association Inc., which acts as agent for Basin’s coal transportation needs, filed a complaint at the Surface Transportation Board (“STB”) on October 19, 2004 asking the STB to roll-back BNSF’s rate increases. That case currently is being litigated at the STB (Docket No. 42088).
- BNSF’s rate actions exploit loopholes in the STB’s regulatory procedures that in effect allow BNSF unilaterally to set rates as high as it wants on the LRS traffic. The STB has acknowledged this regulatory “gaming” problem, but, to date, has not fixed it. The LRS case provides the STB the opportunity to do so.
- Absent affirmative STB action to plug regulatory loopholes, the LRS owners, and their non-profit cooperative customers, will continue to bear unchecked monopoly price gouging by BNSF (see appended press release).