

3/9/05

LAFAYETTE UTILITIES SYSTEM
LAFAYETTE, LOUISIANA

The municipal utility of Lafayette, Louisiana owns fifty percent of a coal-fired power plant in Boyce, Louisiana. The remainder of the facility is owned by CLECO, an investor owned utility in Louisiana, and 19 municipalities in Louisiana. The facility uses Powder River Basin Coal.

Both the BN and the UP originate coal in the Powder River Basin. Only the UP serves the last twenty miles into the plant in Boyce. Through established interchange points with the UP and the Kansas City Southern, the Burlington Northern could deliver our coal approximately 1480 of the 1500 mile movement to our plant. We would be captive to the Union Pacific for the last 20 miles of the movement, but would have access to rail competition for 1480 miles of our movement.

However, the Union Pacific has been able to extend its 20 miles of monopoly power over us to the full 1500 miles of our coal movement from the Powder River Basin. The UP has accomplished this by simply refusing to provide us separate rates for the 1480 mile competitive segment of the movement and the 20 miles of captive movement. The UP will only provide us one rate from the Powder River Basin to our plant. Thus, by this simple strategy, we are not able to gain access to the competitive transportation alternative that is otherwise available to us for 1480 miles of our movement. The result: on our 50% of the power from the captive power plant, we estimate that we are paying \$6 million too much annually – which flows through to the ratepayers in our city of about 125,000 citizens.

Our options: we can “build out” our own track to the Burlington Northern/Kansas City Southern at a cost of about \$60 million or we can bring a rate case to the Surface Transportation Board. In the rate case, we would have to pay \$64,000 to file the case, bear all the burdens of proof, spend approximately \$3 million or more to prove that a mythical railroad that we could build to the Powder River Basin could move our coal at a cheaper rate (stand alone cost), spend about two years in this process – and all the while pay the monopoly rate. And, based on an analysis of the results of recent STB rate cases, we would stand little chance of winning any meaningful relief.