

3/10/05

MISSOURI RIVER SERVICES, INC.  
SOUTH DAKOTA, NORTH DAKOTA, IOWA, MINNESOTA

Missouri River Energy Services (MRES) is a wholesale power supplier to 58 municipal utilities located in South Dakota, North Dakota, Iowa and Minnesota. MRES owns a 17 percent interest in the coal-fired Laramie River Station (LRS) located in Wheatland, Wyoming, and is a participant in the Big Stone II project, as well as an additional effort to build coal-fired generation in South Dakota

Consolidation within the railroad industry has left many utilities and other shippers dependent on a single railroad for delivery of coal from the coalmine to their generation plant. As a result, these “captive shippers” are increasingly forced to pay exorbitant rates for the only viable means of transportation.

As noted above, MRES is a co-owner of the Laramie River Station coal-fired power plant near Wheatland, Wyoming. Burlington Northern and Santa Fe Railway Company (BNSF) currently transport some 8.3 million tons of coal approximately 175 miles from coal mines in Wyoming’s Powder River Basin to the Laramie River Station. A long-standing contract for that service recently expired and BNSF published new “common carrier” rates for the same service. BNSF’s new common carrier rate for Laramie River Station deliveries would begin at 43 mills per revenue ton-mile. This rate is four times the railroad’s system average coal rate and would *more than double the prior transportation rate*. Under this new rate, the cost of shipping the coal over 175 miles of track would exceed the cost of the coal. The BNSF rate to serve the Laramie River Station is projected to increase over the next 20 years to over 80 mills per revenue mile– which will cost the co-owners of the Laramie River Station more than \$1 billion.

MRES, our coal supplier (Western Fuels) and our plant co-owners (including Basin Electric) believe that BNSF is unlawfully exerting its monopoly power over Laramie River Station coal deliveries by imposing unreasonably high rates. While Western Fuels and Basin Electric have filed a complaint with the Surface Transportation Board (STB) to set aside the rate increases proposed by BNSF, we have little expectation for meaningful relief. Under its “Coal Rate Guidelines,” the STB would set coal rates *no lower than 150 percent of the railroads costs – and usually sets rates even higher*.

Unfortunately, our situation is neither unique nor isolated. Owners of the Big Stone project in South Dakota, the location for a new power plant – Big Stone II -- in which we will participate, have a similar complaint at the STB, and we have heard of similar problems in Florida, Texas, and Louisiana. *The potential inability to secure cost-effective coal transportation to Big Stone II is one factor that will weigh heavily in our consideration of whether to move forward with the project.*

As the Committee is aware, legislation to provide captive shipper relief through reforming the mission and policies of the STB has been introduced in the last several Congresses. As long-standing contracts expire, the plight of captive shippers will increase. *It is our hope that this fact, coupled with the impact of captive shipper rates on construction of new coal-fired facilities, will prompt Congress to provide legislative relief for captive shippers*