

April 16, 2007

Vernon A. Williams  
Secretary  
Surface Transportation Board  
395 E Street, S.W.  
Washington, DC 20423-0001

Re: Ex Parte No. 670

Dear Secretary Williams:

The Coalition of Northeastern Governors ("CONEG") submits this letter in accordance with the decision served on March 9, 2007 in Ex Parte No. 670, Establishment of the Rail Energy Transportation Advisory Committee. For the reasons stated below, CONEG enthusiastically supports the creation of a rail energy transportation advisory committee to provide independent advice and policy suggestions to the Board on issues related to the transportation of energy resources by rail.

### CONEG's Interest

CONEG is a nonpartisan association of the Governors of the eight Northeastern states (Connecticut, Maine, Massachusetts, New Hampshire, New Jersey, New York, Rhode Island and Vermont). Established in 1976, the purpose of CONEG is to promote the economic, environmental and social well-being of the Northeastern states. CONEG attempts to identify regional issues and to provide a forum to discuss and exchange information about such issues. Energy and rail transportation have been long-standing subjects of study and activity by CONEG.

The focus by CONEG on energy and transportation is not surprising. The Northeastern states are dependent upon rail transportation for a significant portion of their energy resources. Coal and petroleum have moved into the Northeastern states by rail for many years, and a significant amount of the propane consumed in the Northeast is shipped by rail. In fact, a shortage of propane in the Northeast earlier this year was aggravated in part by a strike that affected service by Canadian National. In addition, however, the Northeastern states are also experiencing a growth, along with the rest of the country, in the rail shipment of ethanol. This growth is expected to continue for the foreseeable future. Furthermore, while the development of biomass fuels is in its early stages, the production and rail transportation of biomass fuels are expected to increase, as evidenced by the activities of the Northeast Regional Biomass Program, a public-private initiative, managed by CONEG, that encourages greater use and development of bioenergy fuels in the region.

### Reasons for Establishing a Committee

CONEG believes that it will be important for the Board to have information and advice from a broad spectrum of interested parties concerning the reliability of rail service for the movement of energy resources. Certain areas of the Northeastern states, in particular New York and New Jersey, may experience delays or disruptions in rail service as a result of capacity constraints that already exist or are imminent. Other, more rural areas in the Northeastern states are generally served only by Class II or Class III carriers that may lack the financial resources to ensure that the interline services that they provide are supported by appropriate infrastructure. Furthermore, these smaller rail carriers may find it difficult, for example, to finance facilities required to ship ethanol or biomass fuels by rail. The Northeastern states currently have approximately 18 terminals at which ethanol is blended with gasoline, of which eight (primarily located in the Mid-Atlantic states) are served by rail. As the demand for ethanol increases, rail served facilities may also need to increase both in number and capacity. In addition to infrastructure issues, a committee might also provide input to the Board concerning the availability of an adequate supply of tank cars for the transportation of ethanol. An advisory committee could provide a means to identify issues of this type and provide relevant information so that the Board would be in a position to take appropriate action in a timely manner.

### Mandate of the Committee

In response to specific questions raised by the Board with respect to the scope and mandate of a committee, CONEG offers the following:

(1) The potential utility of such a committee is obvious. The continued availability of energy resources by rail is critical to the economy and well-being not only of the Northeastern states, but of the country as a whole. Furthermore, with the growth of the production and use of ethanol and biomass fuels, transportation issues and challenges are evolving and changing rapidly. The Board should be informed broadly and generally on the issues relating to rail transportation of energy resources rather than having to rely on information developed anecdotally or on a case-by-case basis after problems arise. It is clearly a time for the Board and the stakeholders to take a more proactive approach to the rail transportation of energy resources.

(2) CONEG believes that the scope of such a committee should be as broad as the scope of energy resources transported by rail. The committee should not limit its attention to coal and ethanol. As noted above, the Northeastern states rely as well on petroleum products and propane, and there is a developing biomass market that will make demands on the rail transportation system.

(3) The membership of such a committee should include representatives of the entire spectrum of interested parties. In addition to the rail carriers and the suppliers/shippers of energy resources, there must be representation of the end-users/receivers of those resources and of the states and other governmental entities tasked with the responsibility for the transportation of energy resources.

Organizations such as CONEG and state agencies are particularly well suited to identify and represent the interests of the citizens of their states who are the end-users/receivers of the energy resources.

### Conclusion

CONEG commends the Board for its foresight and timeliness in recognizing rail transportation of energy resources as an issue that warrants special attention. CONEG urges the Board to establish a rail energy transportation advisory committee and would be interested in serving as a member of such a committee.

Thank you for the opportunity to express our views and for your consideration of them. If you have any questions or need further information, please contact the undersigned.

Very truly yours,

/o.s./

Anne D. Stubbs  
Executive Director