Good News For Captive Rail Customers

STB decision favorable for rural electric consumers

The Surface Transportation Board has ruled that freight rates were unlawful and unreasonable for transporting coal to a power plant in Wyoming operated by Basin Electric. The ruling was made on Feb. 18.

In what the STB has called "the single largest reduction in rail rates ever ordered by this agency," transportation rates charged by BNSF Railway to deliver coal to the Laramie River Station, near Wheatland, WY, were ordered to be reduced by about 60 percent.

In its ruling, STB said BNSF must provide reparation and rate reductions of an estimated $345 million to Basin Electric and Western Fuels Association. The Laramie River Station is owned by the Missouri Basin Power Project (MBPP), a group of six consumer-owned electric utilities. Basin Electric is the operating agent of the plant on behalf of the MBPP.

In October 2004, Basin Electric and Western Fuels Association filed a protest with the STB claiming transportation rates were higher than those charged to other utilities and were "captive" to whatever rate BNSF set because there wasn't any other option to deliver fuel to the power plant.

Commenting on behalf of the MBPP, Ron Harper, Basin Electric CEO and general manager, agreed with the STB board chairman, Charles Nottingham, in the decision announcement. "Monopoly pricing and unrealistic pricing are not fair to our rural electric customers in nine states. We've felt all along that the freight rates charged were excessive," he said. "We have no other means of getting coal delivered to Laramie River because we are a captive customer to whatever rates BNSF wants to set. While a long time coming, we're very pleased with the STB decision. It's obvious the STB spent a lot of time and analysis before ruling on this case."

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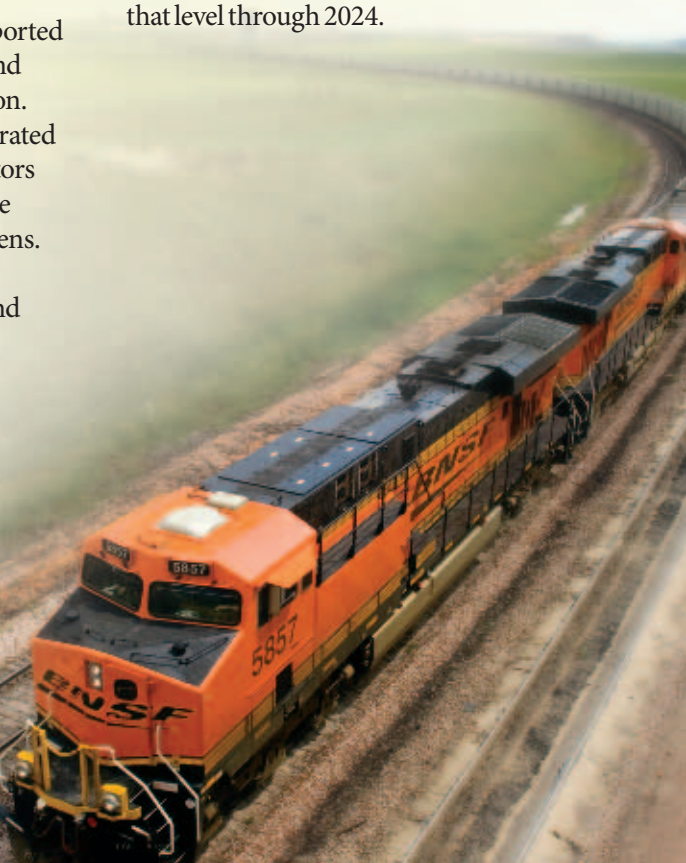
> *Ron Harper, Basin Electric*

The case was also strongly supported by congressional delegations and governors from across the region. This support was first demonstrated when a letter signed by 20 senators and representatives through the bi-partisan leadership of U.S. Sens. Byron Dorgan and Mike Enzi and U.S. Reps. Earl Pomeroy and Barbara Cubin was sent to the STB supporting the merits of the case.

The case stems from an original protest filed by Basin Electric and Western Fuels in 2004 challenging BNSF's transportation rates to haul 8 million tons of coal each year from mines in Wyoming's Powder River Basin to the Laramie River Station.

Both Basin Electric and Western fuels said Laramie River was a "captive customer" to BNSF and that the rates should be lowered.

The STB ordered that BNSF must immediately reimburse Basin Electric and Western Fuels about $100 million from overcharges from 2004 through 2008. The exact amount of damages due depends upon the volume of coal transported from the various Powder River Basin mines during that time. STB also ordered BNSF to immediately lower its current transportation rates to levels prescribed in this decision, and keep those rates at that level through 2024.