

REPLY TO:

- ☐ 135 HART SENATE OFFICE BUILDING
WASHINGTON, DC 20510-1501
(202) 224-3744
e-mail: grassley.senate.gov/contact.cfm
- ☐ 721 FEDERAL BUILDING
210 WALNUT STREET
DES MOINES, IA 50309-2140
(515) 288-1145
- ☐ 111 7TH AVENUE, SE, BOX 13
SUITE 6800
CEDAR RAPIDS, IA 52401-2101
(319) 363-6832

United States Senate

CHARLES E. GRASSLEY

WASHINGTON, DC 20510-1501

July 22, 2014

236360
EP 724

REPLY TO:

- ☐ 103 FEDERAL COURTHOUSE BUILDING
320 6TH STREET
SIOUX CITY, IA 51101-1244
(712) 233-1860
- ☐ 210 WATERLOO BUILDING
531 COMMERCIAL STREET
WATERLOO, IA 50701-5497
(319) 232-6657
- ☐ 201 WEST 2ND STREET
SUITE 720
DAVENPORT, IA 52801-1817
(563) 322-4331
- ☐ 307 FEDERAL BUILDING
8 SOUTH 6TH STREET
COUNCIL BLUFFS, IA 51501-4204
(712) 322-7103

The Honorable Daniel R. Elliott III
Chairman
Surface Transportation Board
395 E Street SW, Suite 1220
Washington, DC 20423-0001

ENTERED
Office of Proceedings
July 25, 2014
Part of
Public Record

Dear Chairman Elliott:

Enclosed please find a communication I recently received from Dairyland Power Cooperative regarding two power plants in Wisconsin, which provide electricity to people in Illinois, Iowa, Minnesota and Wisconsin, that are extremely short on fuel due to delivery issues by the Burlington Northern Santa Fe. I ask that these concerns be given all due consideration. Any information or assistance you could provide me with respect to this issue would be greatly appreciated.

Thank you for your time and effort on this matter. If I may be of any assistance with this issue, please contact my office at 202-224-3744.

Sincerely,


Charles E. Grassley
United States Senator

RANKING MEMBER,
JUDICIARY

Committee Assignments:

AGRICULTURE
BUDGET
FINANCE

CO-CHAIRMAN, *
INTERNATIONAL NARCOTICS
CONTROL CAUCUS



Coal Supply Crisis

Dairyland Power Cooperative provides electricity to over 600,000 people in Wisconsin, Minnesota, Iowa, and Illinois. The two major sources of that energy are power plants in Wisconsin along the Mississippi River at Alma and Genoa.

Due to fuel delivery failures by the Burlington Northern Santa Fe (BNSF) railroad, both these plants are dangerously short on fuel in the midst of the summer cooling season and with the winter heating season looming close behind.

The problem is epitomized by the crisis situation we now face at our Genoa plant.

Our Genoa power plant is not served directly by rail lines but rather can only receive fuel by barges that are loaded from rail cars at a dock in southeast Iowa and delivered north via the Mississippi River. Because the barge shipping season is limited due to the river freezing (approximately May-to-October), Dairyland must receive enough fuel during the short shipping season to last until the following spring when the river thaws again. Right now half the barge shipping season is past and Genoa's coal supply is less than half what it should be and falling further behind with each passing week.

If this trend continues, Dairyland's Genoa power plant will run out of coal and will be unable to generate power after January 2015.

Issues with BNSF deliveries began in the fall of 2013 at our plants at Alma and have only deteriorated since, bottoming out in the heart of last winter's *Polar Vortex*, when inventories at those plants fell to dangerously low levels. Dairyland was forced to take drastic steps in light of this situation, all of which directly impacted our members as we are a not-for-profit electric cooperative. Since the BNSF has not provided solutions, Dairyland has had to:

- Truck hundreds of loads of coal over local roads from two sources over 80 miles away;
- Reduce generation at our power plants in order to conserve coal inventory;
- Purchase higher-priced power from other sources.

These measures have resulted in increased costs to our members in the form of higher electric rates.

Now the rail delivery problems have expanded to our Genoa power plant.

With only a few months remaining in the barge delivery season there is a very narrow window to resolve this situation.

A Touchstone Energy® Cooperative 

3200 East Ave. S. • PO Box 817 • La Crosse, WI 54602-0817 • 608-788-4000 • 608-787-1420 fax • www.dairynet.com

Dairyland Power Cooperative is an equal opportunity provider and employer.

To reduce this serious inventory shortage at Genoa the BNSF will need to reverse their substandard performance and triple the normal pace of deliveries for the remainder of the shipping season.

The BNSF has publicly stated to overcome delivery challenges they will focus resources to avoid a customer having to halt operations. Unfortunately, Dairyland has not seen any such focus of resources from BNSF to ensure our plants are not forced to shut down. BNSF has had at least three years to prepare for this shipping season, based on the contract negotiated with Dairyland in 2011. BNSF has clearly had plenty of time to plan and prepare but has simply failed to do so.

Dairyland continues to work with the railroad in an attempt to resolve these issues and remains hopeful the railroad will respond. BNSF has acknowledged they are not meeting Dairyland's requirements and frequent communications are occurring. We value our relationship with BNSF since they play a very important role in helping us provide reliable and reasonably priced electricity to the region. However, our continued discussions with BNSF on these matters have not resulted in any meaningful change in service. In fact, conditions seem to have gotten even worse in the past several weeks.

Continued poor service by BNSF will pose a significant risk to the reliability of the electric grid in the Midwestern region, as well as increase the likelihood of much higher electric rates for our members.

Given these circumstances we request you:

1. Call or write BNSF and insist they take any steps necessary to improve service to Dairyland Power Cooperative, especially to dramatically increase deliveries to the Hendricks' coal harbor that serves the Genoa site, to ensure that power plant is fully supplied by the end of October in preparation for what could be another harsh Midwestern winter.

Contact: Amy C. Hawkins
Vice President, Government Affairs
Burlington Northern Santa Fe Railroad
202-347-8662
amy.hawkins@bnsf.com

2. Call or write to the Surface Transportation Board (STB) and request they take whatever actions possible to ensure BNSF meets its obligations to Dairyland Power Cooperative.

Contact: Daniel R. Elliott III, Chairman
Surface Transportation Board
Suite 1220
395 E Street, S.W.
Washington, DC 20423-0001
202-245-0220
Daniel.elliott@stb.dot.gov