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GrowthEnergy.org

November 6, 2019

The Honorable Ann Begeman
Chairman
Surface Transportation Board
395 E Street SW
Washington, DC 20423

The Honorable Patrick Fuchs
Vice Chairman
Surface Transportation Board
395 E Street SW
Washington, DC 20423

The Honorable Martin Oberman
Commissioner
Surface Transportation Board
395 E Street SW
Washington, DC 20423

RE: Docket No. EP 757 – Policy Statement on Demurrage and Accessorial Rules and Charges

Dear Chairman Begeman and members of the Surface Transportation Board:

Growth Energy is the world's largest association of biofuel producers, representing 100 U.S. plants that produce more than 8 billion gallons of ethanol each year; 89 businesses associated with the production process; and tens of thousands of biofuel supporters around the country. Together, we are working to bring better and more affordable choices at the fuel pump to consumers, improve air quality, and protect the environment for future generations. We remain committed to helping our country diversify our energy portfolio in order to grow more jobs, sustain family farms, and drive down the costs of transportation fuels for consumers.

Today, ethanol is blended into 98 percent of the nation's gasoline from coast to coast. We continue to support and rely on a strong rail system to ensure that our members' products can be transported safely and efficiently to all transportation fuel markets. In fact, nearly 70 percent of all ethanol and more than 50 percent of ethanol coproducts are shipped by rail, with our industry shipping more than 300,000 rail cars each year.

As such, we commend the board for continuing its examination of the fairness and reciprocity of increasing demurrage and accessorial fees imposed on ethanol producers and other rail shippers. Railroads raised more than \$1.4 billion in revenue from these fees alone. We believe these fees go far beyond what is necessary to ensure a strong and efficient rail system and is disguised as an effort to increase rates beyond the normal price structure. These fees should not function as billion-dollar revenue streams for the railroads.

Unfortunately, the policy statement falls somewhat short of fully addressing these important issues. In particular, the policy does not truly address the issue of reciprocity. Over the last decade, there has been a dramatic shift in rail car ownership - from being owned by the railroads, to being owned or leased by rail shippers. As such, it is critical that demurrage and accessorial fees not only incentivize the efficient use of the railroads, but also of the shipper car assets as well. The STB should revise its policy to truly address reciprocity and consider methods in which shippers can be compensated for the inefficient use of their assets.

We were pleased to see that the STB did appropriately recognize that when issues arise that are the fault of the railroad, not the shipper, that demurrage charges should not apply. The inclusion of these circumstances is critical, and we would urge the STB to apply these as broadly as possible as, today, there is little recourse for shippers to prove their innocence when railroads are at fault. The STB should correct this imbalance. While some railroads generate credits when they are at fault, the revenue they receive from these increased fees far outweigh the value of the credits and does not appropriately incentivize the railroads to be efficient with our members assets.

Further, we would urge the board to ensure that all charges are closely examined and not limited to only demurrage costs but should be broadened to include accessorial fees as well. STB should further outline the full suite of charges imposed on shippers from railroads in its policy statement.

We appreciate the continued oversight on these important issues that affect rail customers. Because our products are a vital part of the national fuel supply, anything that further increases the costs borne by biofuel producers and marketers ultimately hurts the American consumer with potentially increasing costs at the fuel pump.

Growth Energy and our members are happy to provide the board with any additional information needed.

Sincerely,

A handwritten signature in blue ink, appearing to read "Chris Bliley". The signature is stylized and cursive.

Chris Bliley, Vice President of Regulatory Affairs