



September 17, 2014

The Honorable Jay Rockefeller  
Chairman  
Commerce & Transportation Committee  
U.S. Senate  
531 Hart Office Building  
Washington, DC 20510

The Honorable John Thune  
Ranking Member  
Commerce & Transportation Committee  
U.S. Senate  
531 Hart Office Building  
Washington, DC 20510

Dear Chairman Rockefeller and Ranking Member Thune:

On behalf of the 500 member companies and organizations that comprise the American Coalition for Ethanol (ACE), I write to support S. 2777, the Surface Transportation Board (STB) Reauthorization Act of 2014, and encourage members of the Committee to join with you to approve this legislation at today's markup hearing.

ACE is powered by people who have built an innovative industry that sustainably delivers clean fuel and valuable food for a growing world. The renewable fuel producers, farmers, Main Street businesses, scientists, and others who belong to ACE work together to help keep gas prices low and improve the economy. We have also been a longtime member of Consumers United for Rail Equity (CURE), a coalition that was formed out of concern for the unchecked influence of freight rail market power over rail dependent shippers. Some of the provisions in S. 2777 are policies which CURE has advocated for over the past several years.

U.S. corn-based ethanol is the most economical transportation fuel in the world, and given its favorable blending economics and the Renewable Fuel Standard (RFS), ethanol is capable of comprising much more than its 10 percent share of U.S. gasoline use today. But in order to do that, reliable and timely rail service is critical. At least 70 percent of domestic ethanol transport occurs on rail, and much of the nearly 40 million metric tons of distillers' grain, an affordable high-protein livestock feed made by U.S. ethanol plants, is also shipped via rail.

Unfortunately, during most of 2014, railroads have failed to provide reliable and timely service for ethanol, distillers' grain, and agricultural commodities. Logjams built-up this winter due to extreme cold and snow which reduced the speed and size of trains, and all year long it has appeared that railroads have provided favorable service to crude oil shipments at the expense of ethanol and agricultural commodities. Grain shippers have been steady patrons of the railroads for generations and ethanol producers have become significant customers in the last decade. However, crude oil shipments were virtually non-existent just a few years ago. In 2009, Class 1 railroads moved less than 11,000 cars of crude oil. But in 2013, that number increased to nearly 400,000 carloads. ACE believes this Committee and the STB need to aggressively investigate whether shipments of ethanol, grain, and distillers' grain are being delayed in favor of crude oil shipments.

Many of ACE's ethanol producer members are captive shippers and have reported chronic rail service disruptions this year, such as delayed tank car arrivals, insufficient tank cars received for ethanol off-take, loaded cars parked and overdue for power to arrive, and turn-around times that have doubled. As a result, storage tanks at ethanol plants are full and many of our members have been forced to slow production or worse yet, shut down operations at a time when demand for ethanol is on the rise because of its low price and clean octane benefits. To cope with unreliable rail service, some biorefineries have invested in additional storage or considered adding unit train capability, but it is hard to justify those investments without meaningful commitment by the railroads that service will improve. Moreover, we are concerned that a record harvest of corn and soybeans this fall could make a bad situation on the rails even worse.

While S. 2777 does not comprehensively or immediately tackle all these problems, your legislation is an important step in the right direction because it begins to more aggressively address the congestion and time delays. The bill would strengthen the role of the STB by allowing it to launch its own investigations and establish shorter timelines for the review of rate cases. We encourage the Committee to take the modest step of approving this legislation and urge you and the STB to continue aggressively examining other reforms that can improve conditions on our nation's railroads. Thank you for your time and consideration.

Sincerely,

A handwritten signature in black ink, appearing to read "Brian Jennings". The signature is fluid and cursive, with a long horizontal stroke at the end.

Brian Jennings, Executive Vice President  
American Coalition for Ethanol (ACE)