

### **3/23/09 ORS Seeks Review of Coal Prices**

FOR IMMEDIATE RELEASE

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The Office of Regulatory Staff (ORS) has filed a request to meet with officials of the federal Surface Transportation Board concerning the rapidly accelerating cost of coal transportation via rail for electric fuel generation and its impact on electric consumers.

Charged with representing the public interest of South Carolina in utility regulation, the ORS – after extensive discussions with each of the regulated coal-fired electric generating utilities as well as Santee Cooper – is concerned that rail transportation rates for coal are escalating at percentages that vastly exceed most commonly used and accepted price escalators.

As part of the annual fuel reviews for investor-owned electric utilities, the ORS has observed – for two of the utilities – rail rate increases of between 50% and 100% on expiring five- and ten-year contracts respectively. Fuel transportation charges, which represent approximately one third of the total delivered cost of coal, are passed through to consumers. These two rail rate increases alone will result in an additional charge of over \$100,000,000 to South Carolina consumers.

Transporting coal by rail is the only practical means by which the State’s power plants can receive the amount of coal necessary for generation. It is estimated that it would take 650 trucks carrying coal round-trip daily from eastern Kentucky to equal the amount that can be brought into South Carolina by one-and-a-half trainloads daily. With regard to barge deliveries, electric utilities serving South Carolina have 26 power plants in the State, of which only three could receive coal directly by barge.

According to ORS Executive Director Dukes Scott, “The highway safety and infrastructure issues, additional costs, and added carbon emissions that would be involved in trucking the necessary quantity of coal into the State make it a totally prohibitive option. The location of most of the State’s power plants in relation to waterways makes transport by barge impractical as well. Therefore, we are trying to ensure that South Carolina’s electric generating plants that receive coal by rail are not painted into a corner where they have no choice but to pay exorbitant prices for coal transportation. These extraordinary cost increases are then passed on to consumers.”

The Office of Regulatory Staff is an agency of the State of South Carolina. Its mission is to represent the public interest in utility regulation by balancing the concerns of the using and consuming public, the financial integrity of public utilities, and the economic development of South Carolina. For more information, please visit the ORS web site at <http://www.regulatorystaff.sc.gov/>