



October 5, 2006

The Honorable Joseph H. Boardman
Administrator, Federal Railroad Administration
U.S. Department of Transportation
1120 Vermont Avenue, N.W.
Washington, D.C. 20590

Dear Administrator Boardman:

The Dakota, Minnesota & Eastern Railroad (DM&E) has applied for a Federal Railroad Administration (FRA) loan to build a rail line into the Powder River Basin (PRB) coal mines in Wyoming. We write to support this loan application, which will lead to both enhanced infrastructure and needed competition in the shipping of coal from this critical national resource.

Just last week we conducted three hearings across the state of Wisconsin on the topic of lack of service and increasing cost of railroad transportation to and within the state, its causes, and its impacts on Wisconsin's economy. In our respective fields of jurisdiction – agriculture and energy – we have seen these costs impact directly and negatively the economic health of Wisconsin's farmers, industries, and consumers. The testimony at the hearings indicated that many factors have combined to lead to these costs, including the failure of the railroads to negotiate on fee structures, decreased quality of service, and the ineffective, expensive structure at the Surface Transportation Board for challenging unfair shipping fees.

Additionally, it was clear that Wisconsin companies have strong evidence to show that reduced competition in the rail industry has exacerbated delivery delays and problems. A recurring theme at the hearings was the lack of options for Wisconsin utilities when the Joint Line at the PRB goes out, or when the two railroads owning the Joint Line fail to deliver coal pursuant to their contractual obligations. Reduced shipments out of the PRB cost Wisconsin utility ratepayers \$64 million in 2005. This was the result of utilities' obligation to import more expensive coal, or use gas peaking units, to replace undelivered PRB coal. Increased energy costs hurt every component of Wisconsin's economy, from farmers to manufacturing to residential users.

A second line out of the PRB will enhance rail reliability in the PRB region, and will better ensure that the rates set by PRB shippers will result from reasonable competition, not market

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power. The new line will bring coal to generating units throughout the Midwest, securing regional reliability, and possibly freeing up existing lines for other purposes. We encourage the FRA to work with effected communities to alleviate local concerns about the line, and to expeditiously approve the loan.

Sincerely,



Daniel R. Ebert
Chairperson
Public Service Commission
of Wisconsin



Rod Nilsestuen
Secretary
Department of Agriculture, Trade &
Consumer Protection

DRE:RN:EJC:BHK:sp:K:\dre\letters\2006\PSC-DATCP letter to FRA 10-5-06

cc: The Honorable Russell Feingold
The Honorable Herb Kohl
The Honorable Tammy Baldwin
The Honorable Mark Green
The Honorable Ron Kind
The Honorable Gwen Moore
The Honorable David Obey
The Honorable Tom Petri
The Honorable Paul Ryan
The Honorable F. James Sensenbrenner