

Impact of Dredging Crisis On Great Lakes Coal Trade

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Remarks presented at the 11th Annual Informational
Breakfast for the Great Lakes Delegation
Hosted by Great Lakes Maritime Task Force

May 3, 2006
Washington, D.C.

Senators, Representatives, other distinguished guests, members of the Great Lakes Maritime Task Force – good morning. It is a pleasure on behalf of Midwest Energy Resources Company to be here with you today to comment on the impact of the dredging crisis on the Great Lakes coal trade. Before getting into the topic, I believe that it would be most appropriate to begin by giving you some brief background on our company.

Midwest Energy Resources Company (MERC), established in 1976, is a wholly-owned subsidiary of the Detroit Edison Company having as its primary responsibilities the management of Detroit Edison's low sulfur western (LSW) coal movements from the mines to its power plants, along with the management of LSW coal delivery systems for at present sixteen (16) third-party utility and industrial customers located in the Great Lakes basin and Canadian Maritimes. The transportation network that has been established last year moved approximately 20.5 million tons of LSW coal by rail to the MERC terminal in Superior, Wisconsin for subsequent blending and reloading to vessels for Detroit Edison and third-party customers. The network involves long and short term contracts with western mines, railroads, vessel companies, the ownership of the MERC terminal and approximately 7000 aluminum bodied rotary rail cars.

In 1993, MERC completed a terminal expansion project taking our annual throughput capacity from 13 to 18 million tons. A subsequent expansion project completed in early 2005 further increased our annual throughput capacity to 25 million tons. We currently have budgeted 22 million tons of LSW coal throughput in 2006. At present, we move more tonnage annually on

the Great Lakes than any other bulk commodity dock. To my knowledge, we are the highest throughput capacity dock facility in North America, having only a single railcar unloader and single shiploader.

Coal is no stranger to the Great Lakes. Coal currently represents the second largest bulk commodity on the Great Lakes and the leading bulk commodity currently handled through the port of Superior/Duluth.

The continuing growth of LSW coal in satisfying our nation's energy needs can be attributed to both its economics of use and its natural application in environmental compliance strategies. I do not see this trend changing appreciably going forward.

What I do see changing going forward is the degree to which we and others will be successful in keeping pace with the coal generated energy needs of the Great Lakes basin. The continuing inability to maximize vessel loadings, particularly 1000 foot-long vessel loadings, due to the lack of a reliably funded Great Lakes dredging program continues to put in jeopardy our ability to keep pace with coal generated energy demands into the future.

There are currently no new Great Lakes vessel builds, particularly 1000 foot-long vessel builds, planned; therefore, we must maximize the carrying capacities of the existing vessel fleets. A recent survey by the U.S. Maritime Administration found the members of Lake Carriers' Association estimated that 75% of the cargoes they have carried in the past five years have been

reduced in volume due to inadequate water depth at either loading or discharge port or in the connecting channels.

1,000 foot-long vessels carrying coal from the MERC terminal average 250 tons for each inch of loaded draft. The majority of the coal shipped from the MERC terminal transits the St. Mary's River enroute to our customers. These 1000 foot-long vessels are losing as much as 18 inches of loaded draft when the St. Mary's River is the controlling depth on a voyage. When these vessels forfeit 18 inches of draft, they are leaving approximately 4500 tons of coal at our dock, or as much as 6.5 percent of their carrying capacity on each and every trip. Put into perspective, MERC loaded 412 total vessels in 2005. 333 vessels, or 81 percent were 1000 foot-long vessels. At 4500 tons lost per loading, that amounted to almost 1.5 million tons lost, or the equivalent of one 1000 foot-long vessel in service to the MERC terminal for six months. We currently project loading 366 1000 foot-long vessels in 2006.

In summary, in order to keep pace with the coal generated energy demands of the Great Lakes basin, Congress must fund a comprehensive plan to restore the Great Lakes system to its project depths as quickly as possible and subsequently adequately maintain these project depths into the future.

Concluding, I would like to thank the Lake Carriers' Association and Great Lakes Maritime Task Force for the opportunity to speak before you today.

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MIDWEST ENERGY RESOURCES COMPANY

TRANSSHIPMENT SUMMARY

	Tons	Tons	Tons
	<u>Received</u>	<u>Shipped</u>	<u>Transshipped</u>
1976	2,557,023	1,855,086	2,206,055
1977	3,469,079	3,646,643	3,557,861
1978	3,395,302	3,147,833	3,271,568
1979	4,296,625	3,973,441	4,135,033
1980	4,018,101	4,090,696	4,054,399
1981	4,669,957	4,185,270	4,427,614
1982	4,639,880	3,790,273	4,215,077
1983	5,116,826	5,718,900	5,417,863
1984	5,538,089	6,677,349	6,107,719
1985	6,628,656	6,990,885	6,809,771
1986	8,210,957	8,180,871	8,195,914
1987	10,586,691	11,157,326	10,872,009
1988	10,489,423	10,079,146	10,284,285
1989	11,586,027	11,775,845	11,680,936
1990	12,385,949	12,298,458	12,342,204
1991	11,108,209	11,496,813	11,302,511
1992	10,434,937	10,875,446	10,655,192
1993	10,938,476	11,458,886	11,198,681
1994	13,319,768	13,481,527	13,400,648
1995	13,707,576	13,240,666	13,474,121
1996	13,253,250	13,739,290	13,496,270
1997	14,658,735	14,804,946	14,731,840
1998	16,184,578	15,816,993	16,000,785
1999	16,059,280	16,262,566	16,160,923
2000	16,269,907	16,691,452	16,480,679
2001	17,033,873	17,374,574	17,204,224
2002	18,524,449	18,388,102	18,456,276
2003	17,551,791	18,282,188	17,916,990
2004	18,591,272	18,804,254	18,697,763
2005	19,897,742	20,979,033	20,438,388
2006	19-Apr	5,267,224	3,926,833
		330,389,651	331,851,201
			331,120,426