

Statement of Michael Skuodas
Vice President of Distribution and Business Development, POET, LLC
Before the United States Senate
Committee on Commerce, Science, & Transportation
August 11, 2016

Good afternoon Chairman Thune. Thank you for the opportunity to speak to you today and provide the Committee with our perspective on the recently enacted Surface Transportation Board reform legislation. My name is Michael Skuodas and I am Vice President of Distribution and Business Development at POET, LLC ("POET"). POET is headquartered here in South Dakota, and is one of the nation's leading biorefinery companies. Of our 27 refineries spread across seven states, 23 rely on rail transportation to deliver their many products to market.

Today, nearly 70% of all ethanol produced in this country is shipped by rail. Similarly a significant portion of ethanol plant co-products, like distiller grains and corn oil, rely on rail to reach market. This makes our industry particularly susceptible to rail rate increases, of which there have been many over recent years. Because ethanol is used in nearly every gallon of gasoline sold in this country, these rates and any rail issues affecting service have a direct and immediate impact on consumers throughout the country. Likewise, DDGS are vital to the feed market for livestock production, as is corn oil for biodiesel. If I could boil our position down into one sentence today it would be that we support policy aimed at providing fair, efficient, and competitive rail services for our industry.

Prior to the enactment of this critical legislation, the procedures and institutional barriers at the Surface Transportation Board ("STB") made lodging legitimate complaints about rail service difficult and costly to execute. Timely, effective, and meaningful resolution to genuine issues was elusive for so many in our industry.

With this in mind, we are here to say thank you on behalf of POET, the ethanol industry, and shippers from South Dakota for your leadership on all of these key rail issues and in particular for your work to enact and implement the recent STB reform legislation. You, your Senate colleagues, and your staff gave us the opportunity to be heard, and while we still have work to do to ensure STB will fully implement the new regulations, we have reason to be optimistic that conditions will improve.

With the remainder of my time, and in the spirit of this committee's mandate to oversee the roll out of its legislation, I would like to turn to a discussion of what we feel is important for this committee to focus on as the STB moves forward to address the needs of ethanol shippers.

We continue to support the reporting of rail service data and the ability of the STB to proactively investigate rail service issues. Chairman Thune, as you know, we in South Dakota experienced terrible rail service problems several years ago that impacted our industry as well as almost every rail shipper in the northern plains. By continuing this critical reporting and by giving the STB more authority to

investigate, we believe the STB and others can identify potential service problems before they snowball and impact larger sections of our nation's economy as they did in late 2013 and throughout 2014.

As we have noted in previous comments, we support the inclusion of rate cases as matters eligible for arbitration as well as increasing the cap in potential relief from \$200,000 to \$25M for rate cases and from \$200,000 to \$2M for practice disputes. We also support the ability of parties entering into arbitration to have the ability to concede the issue of "market dominance" by the railroad, and continue to support the STB's work to streamline the process for these cases, so that they can be dealt with expeditiously.

Finally, we are very pleased to see the STB move forward with the competitive rail switching proposal. Our company competes each and every day in the national fuel market along with nearly 200 other biorefineries, but rarely do any of these plants have any sort of choice in rail service. We're hopeful that this rule can be implemented and our industry can start to see meaningful competition for rail service.

Chairman Thune, you have been instrumental in addressing the rail concerns of our industry including the service related issues in 2014 and now with enactment of STB reform. On behalf of all of our employees and their families we thank you. We look forward to continuing our work with you and your fellow committee members to implement these changes at the Board to improve competition and service among railroads and rail shippers.

I would be happy to answer any questions you may have.