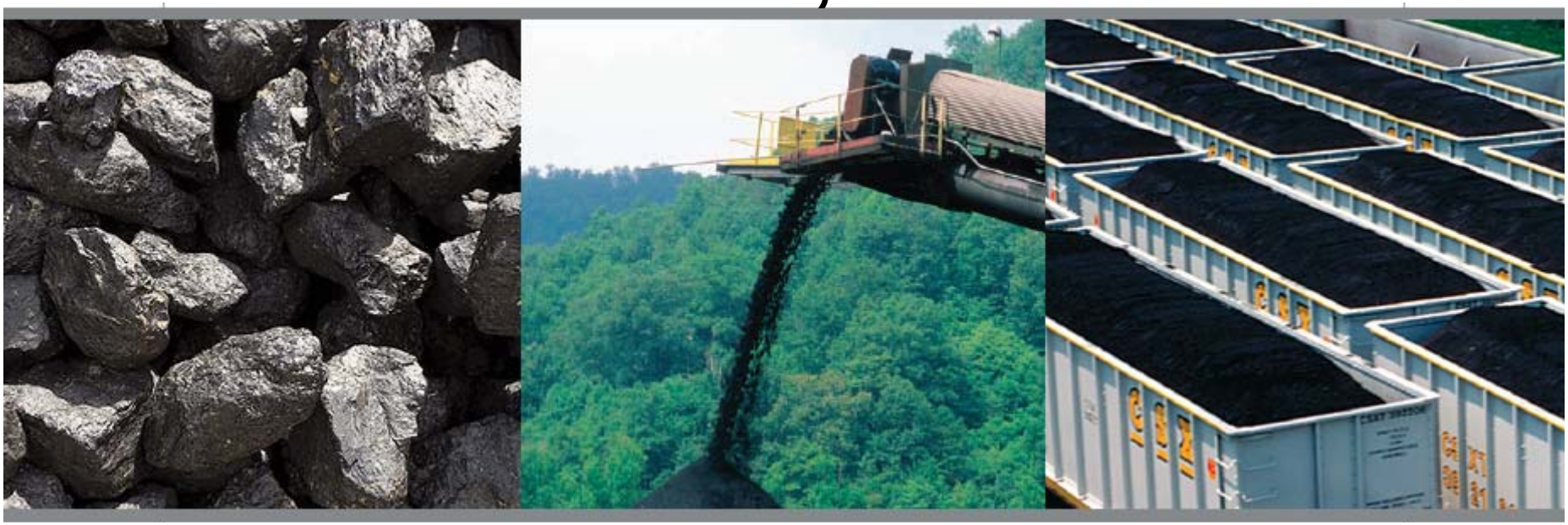
CSXT and Energy Transportation – We move coal

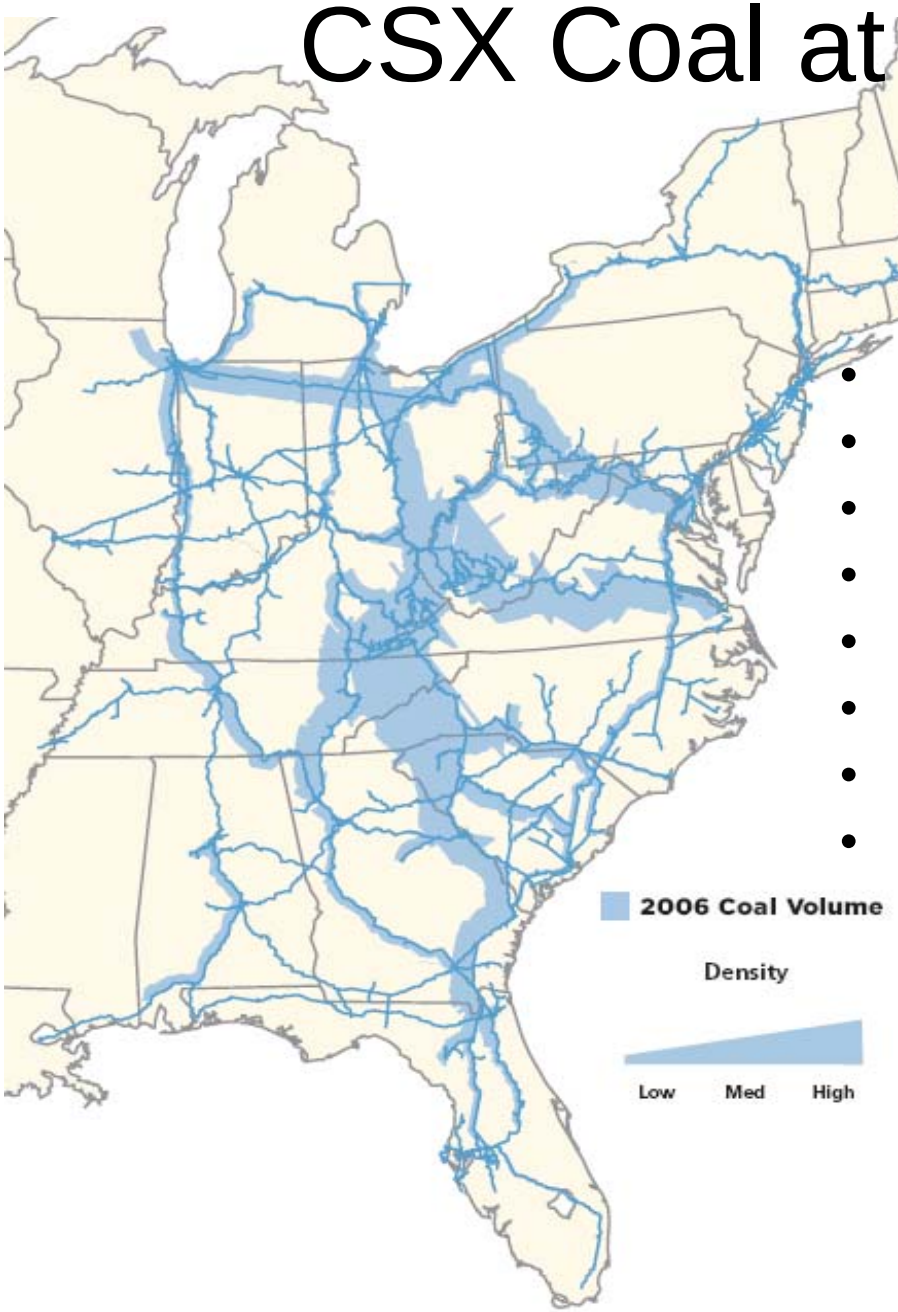
RETAC Committee Meeting
March 6, 2008



Discussion Topics

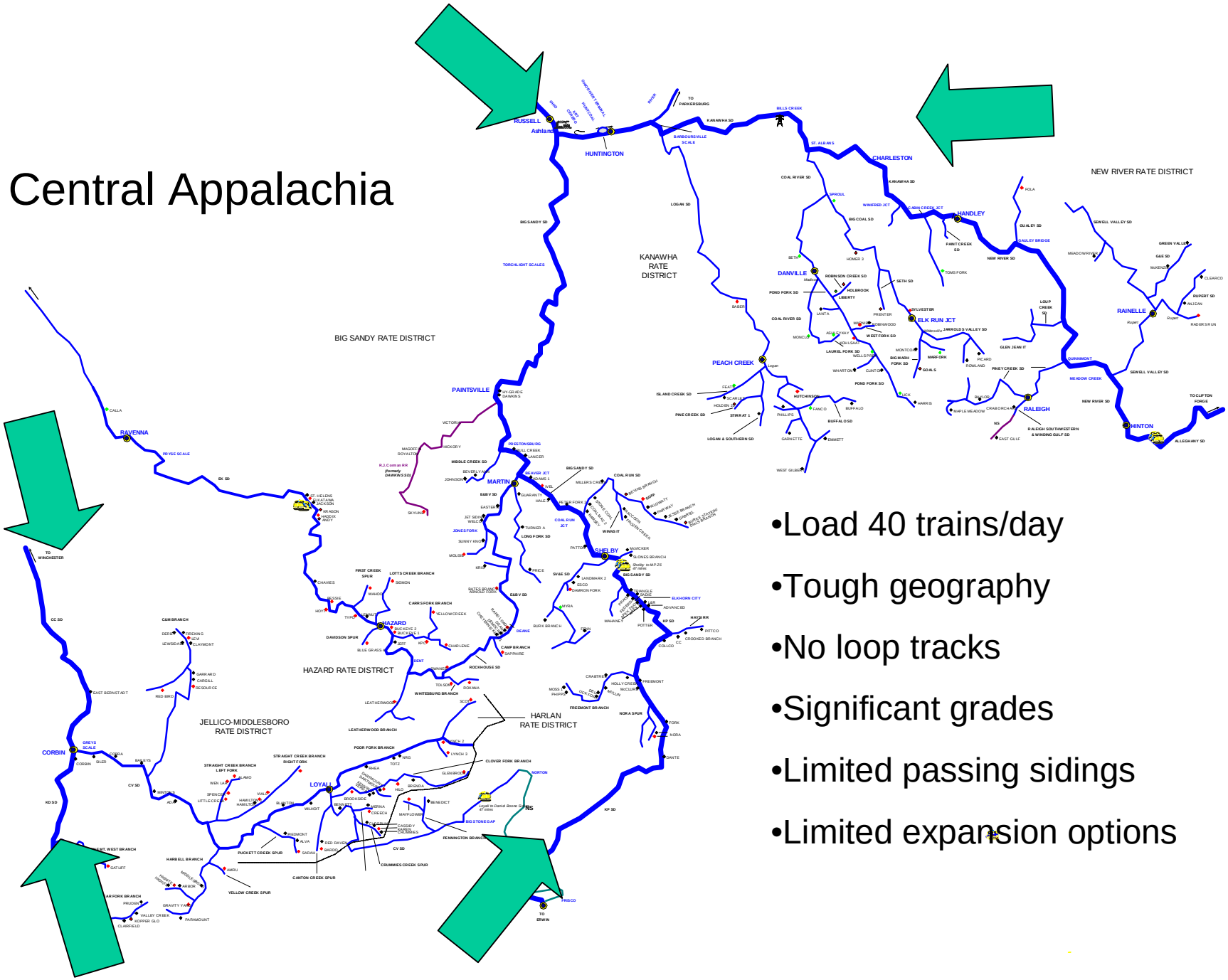
- CSXT coal movements at a glance
- Discussion of capacity as it relates to infrastructure and service
- Describe some of the processes for planning and scheduling

CSX Coal at a Glance



- 21,000 Mile network
- Originate 162 M annual Coal tons
- Receive 20 M annual Coal tons
- 80% of all Coal to Utility markets
- 130 Active Mines
- 137 Specific Served Destinations
- 300 Unit Trains Originated Coal per week
- 40 Unit Trains Received Coal per week

Central Appalachia



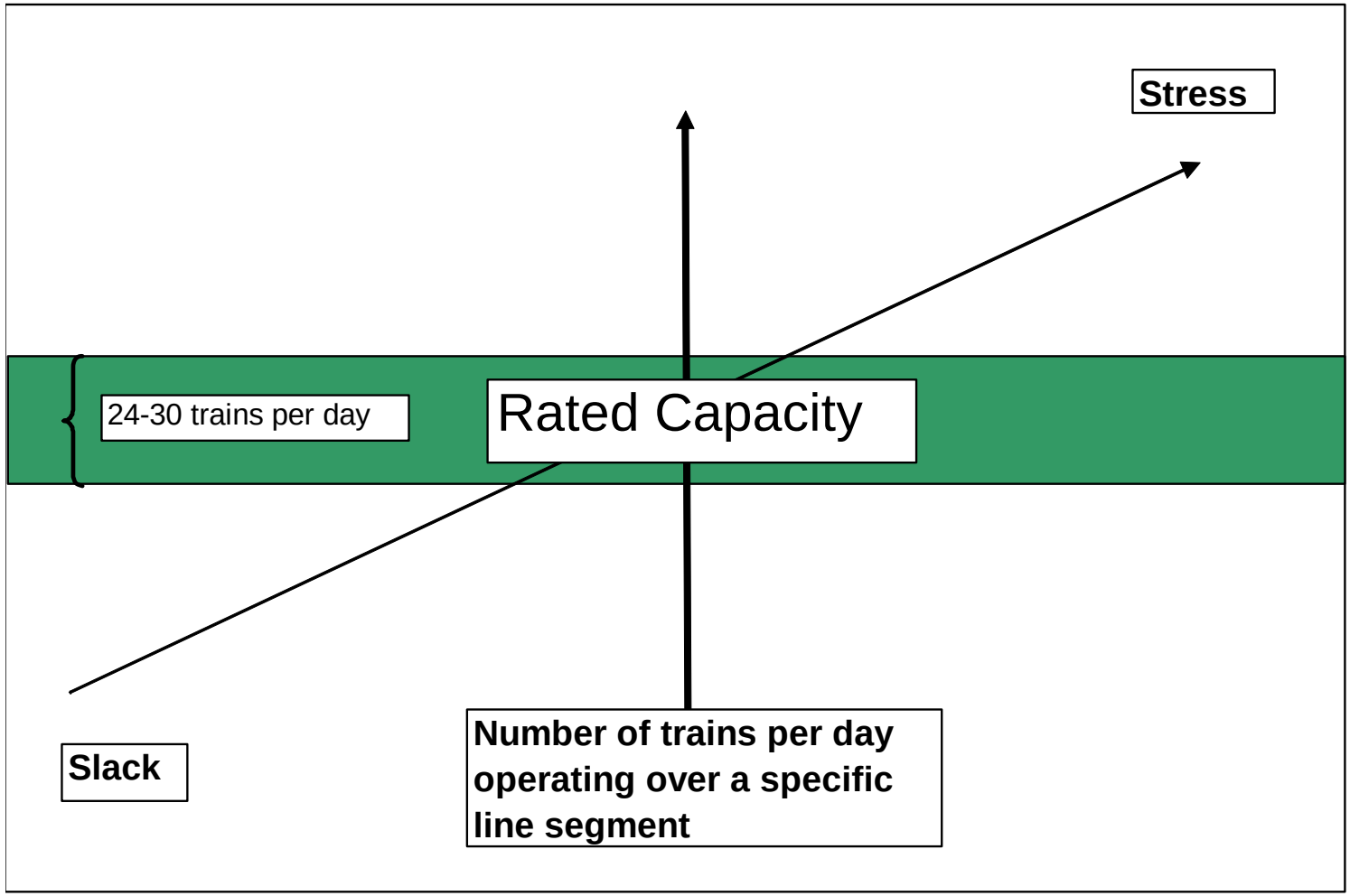
- Load 40 trains/day
- Tough geography
- No loop tracks
- Significant grades
- Limited passing sidings
- Limited expansion options

Source: Coal Service Planning

Discussion Topics

- Discussion of capacity as it relates to infrastructure and service

What is Capacity?



CSXT is investing in capacity to meet future business needs

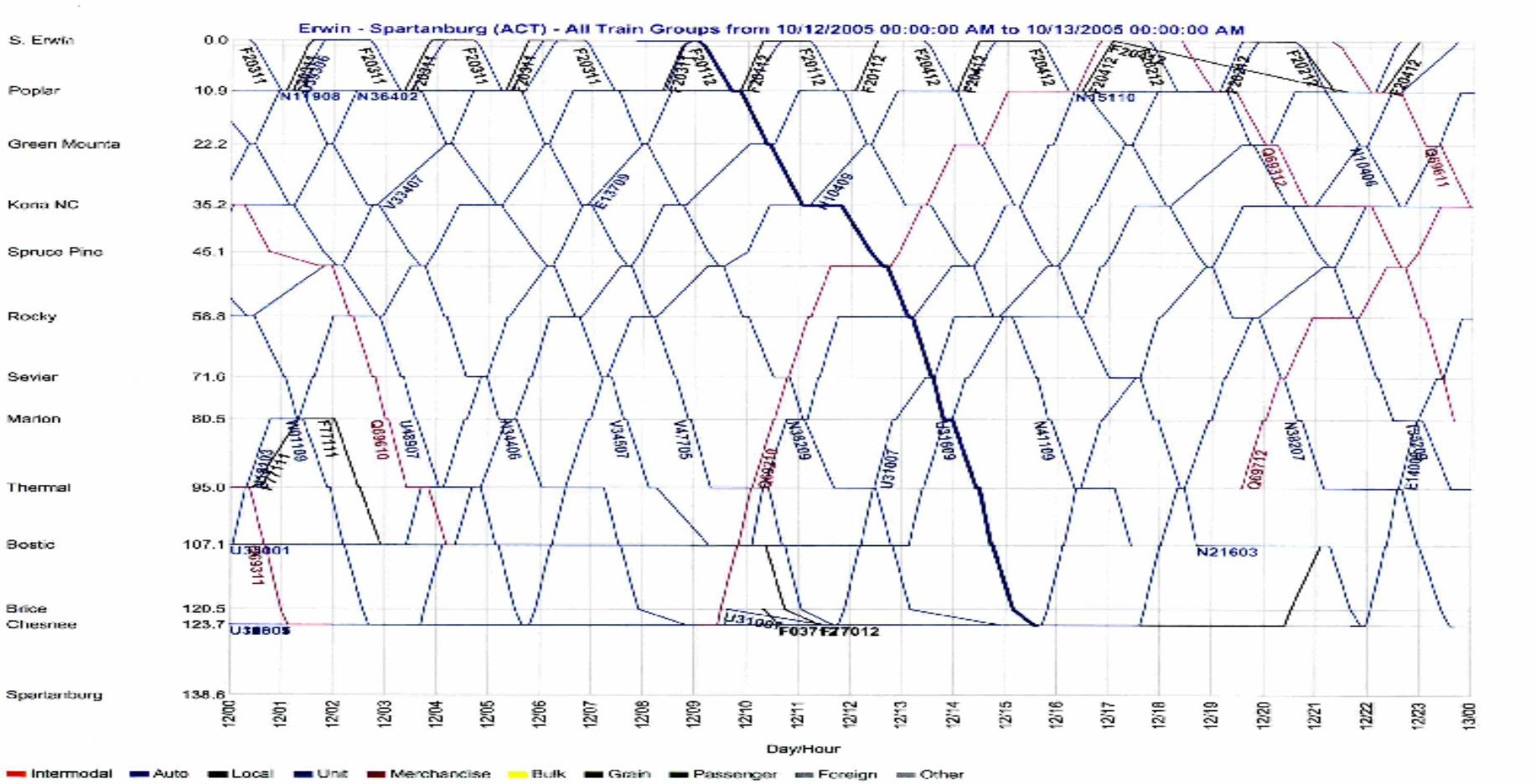
- Investments are based on strong business case and anticipated economic returns
- Managing growth requires a disciplined process and multi-year time horizon
- Long lead time associated with infrastructure and equipment purchases

Railroad is inherently a rigid network

- Constructing and maintaining reserve capacity is expensive
- Reserve capacity is limited – there is no “peaker equivalent” or rate based return
- Infrastructure and equipment have long asset lives

“It is easier to arbitrage coal than transportation”

String-line


Erwin - Spartanburg (ACT) - All Train Groups from 10/12/2005 00:00:00 AM to 10/13/2005 00:00:00 AM
S. Erwin
Poplar
Green Mounta
Kona NC
Spruce Pine
Rocky
Sevier
Marion
Thermal
Bostic
Brice
Chesnee
Spartanburg
0.0
10.9
22.2
35.2
45.1
56.8
71.0
80.5
95.0
107.1
120.5
123.7
138.6
N11908
N36402
N15116
N21603
12/00
12/01
12/02
12/03
12/04
12/05
12/06
12/07
12/08
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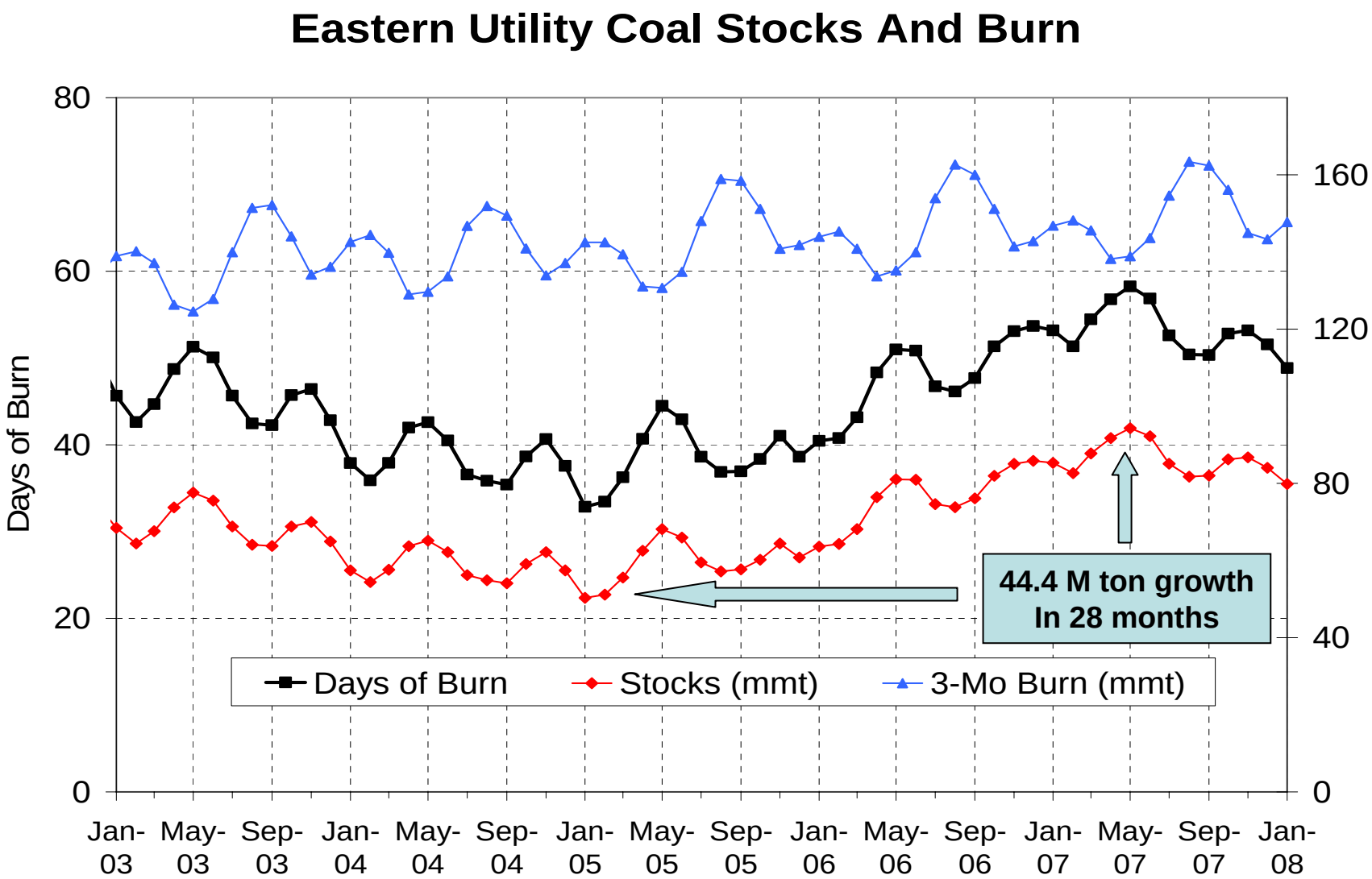
12/11
12/12
12/13
12/14
12/15
12/16
12/17
12/18
12/19
12/20
12/21
12/22
12/23
13/00
Day/Hour
Intermodal
Auto
Local
Unit
Merchandise
Bulk
Grain
Passenger
Foreign
Other

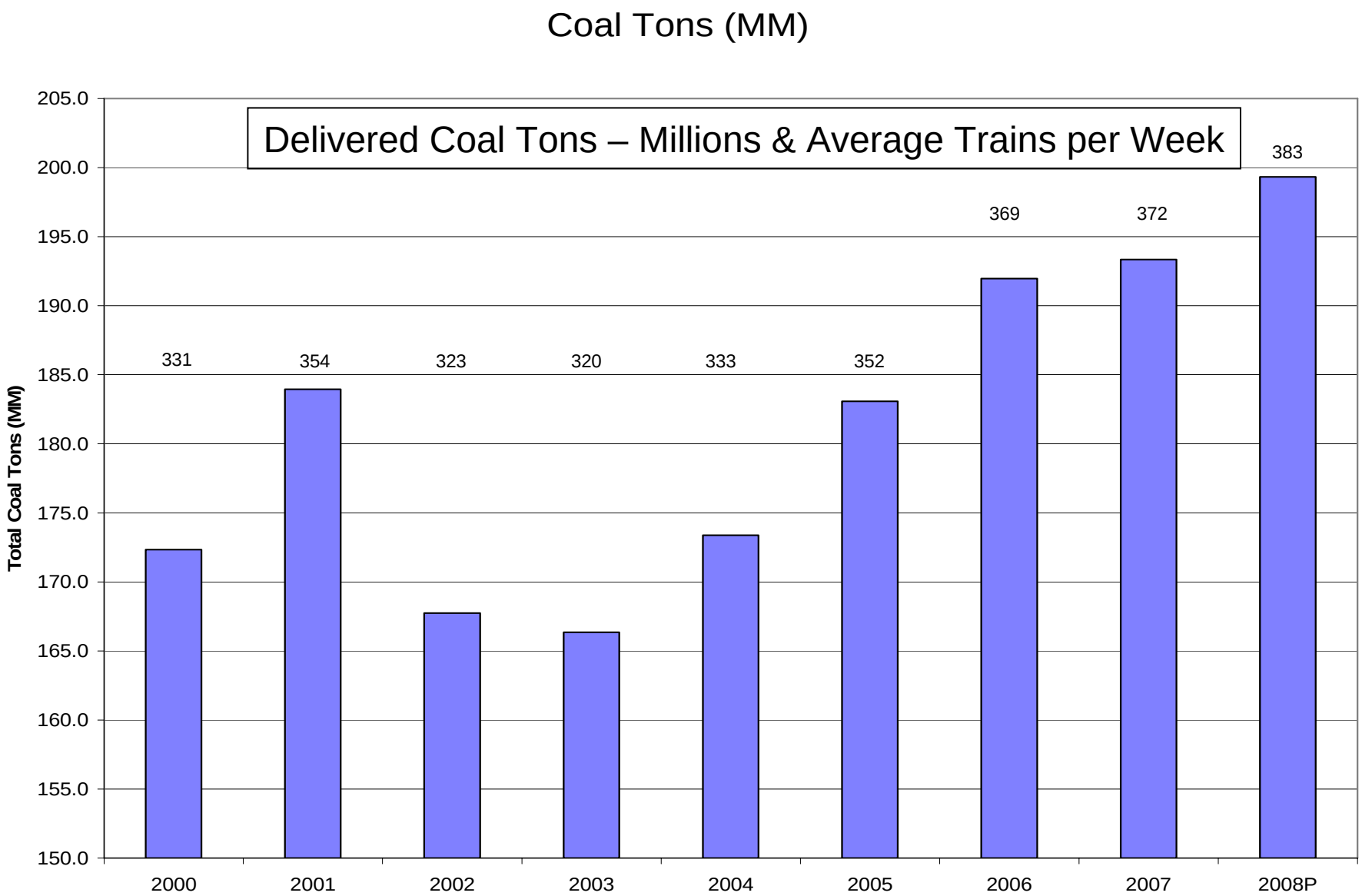
Each Additional 1 Million Tons has a significant impact

- Cars (200 cars to support two running train sets)
- Locomotives (2 locomotives per set)
- Capacity (crews, passing sidings, terminal, etc)
- Net Impact 1 million tons requires 100 incremental trains per year

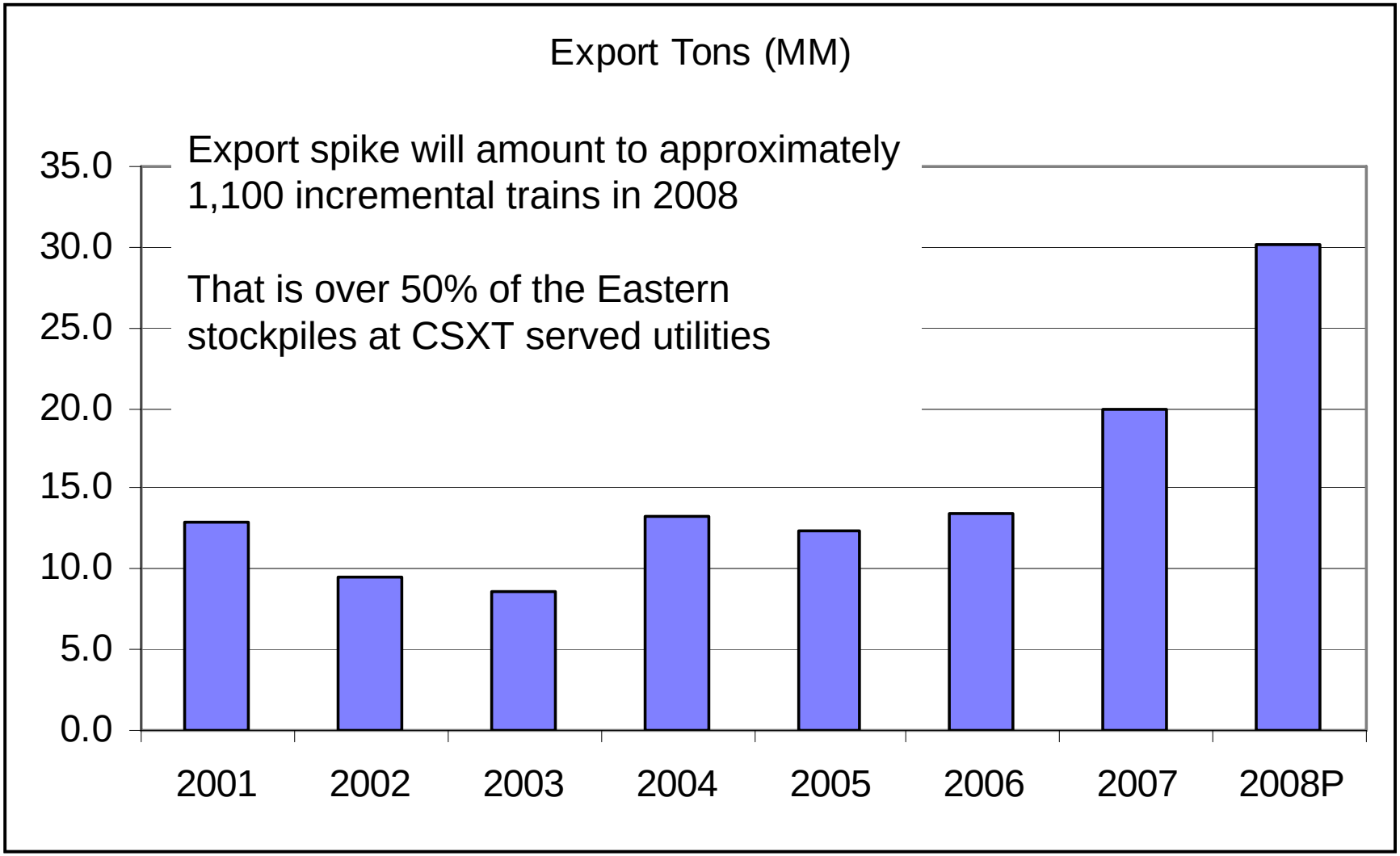
Utility stockpile activity from 2005 through May 2007



CSX has responded to market growth



Today we face an Export spike of 11 M year over year tons in 2008



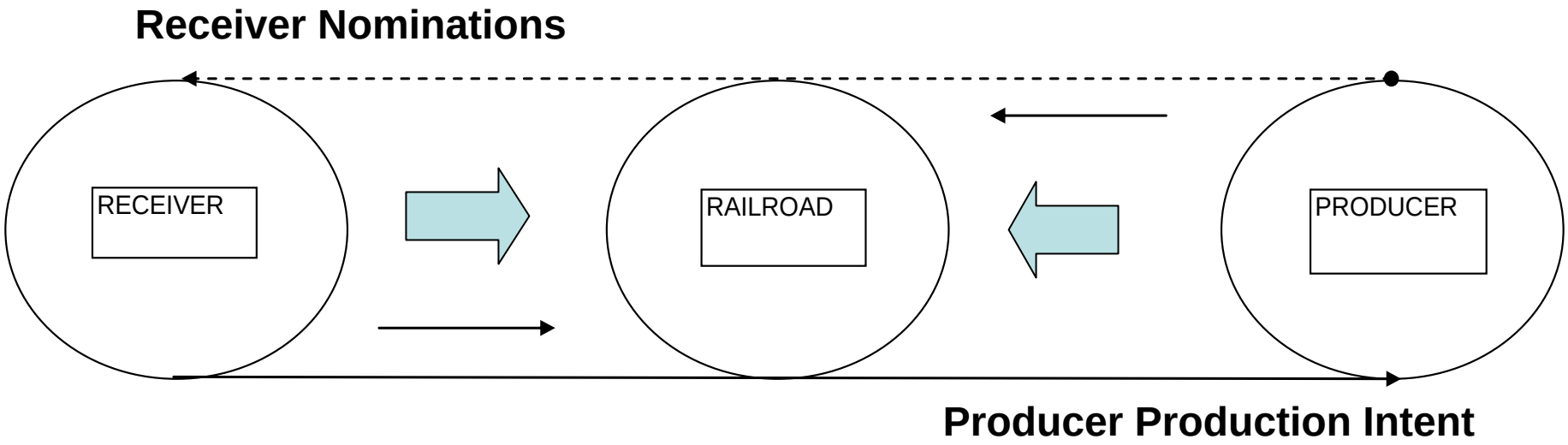
Capacity

- Infrastructure Based on business case
- Anticipate adequate returns
- There is science around the definition of capacity
- Railroad network is fairly rigid
- Maintaining excess capacity is costly
- Volume spikes can challenge quality of service

Discussion Topics

- Describe some of the processes used for planning and scheduling

Planning – longer term

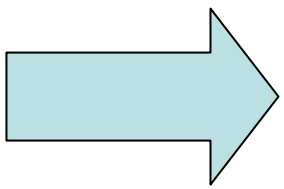


<u>Planning</u>

Long term (5 years)

Annually

Monthly

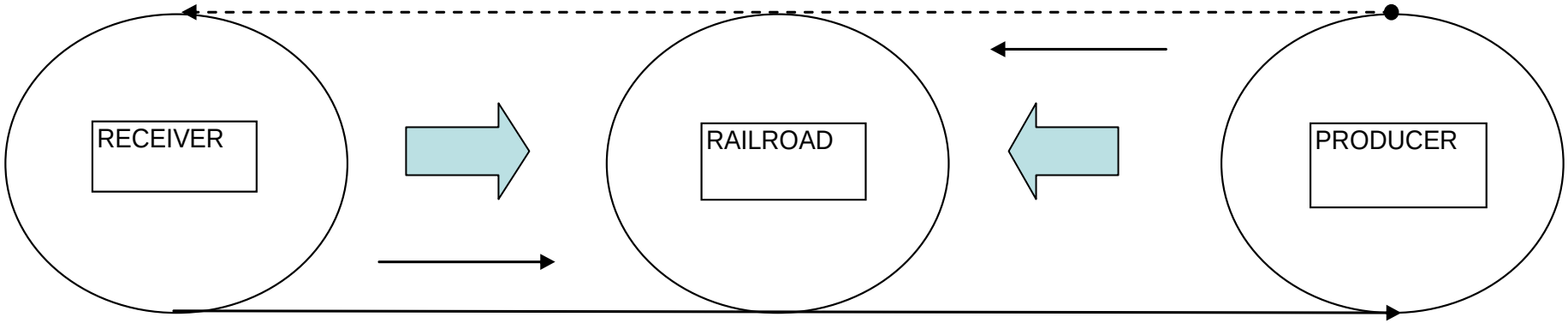


Infrastructure planning

Resources – crew and railcars

Tactical allocation – “now” focus

Scheduling – near term



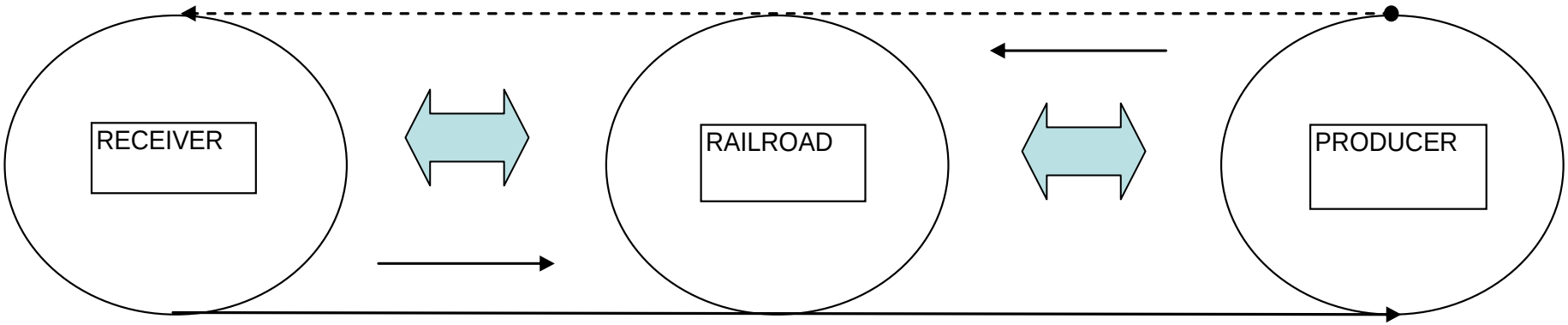
Equipment is matched to a load usually within the week of actual loading

<u>Scheduling (Reservations)</u>

Monthly	Scheduled developed from receiver input
Weekly	Actively begin matching assets with scheduled loadings
Daily	Focus on execution – make adjustments

Daily Tactical Operations

Cycle Time – Sum total of the efficiency of both the RR performance and the coordination between all three parties

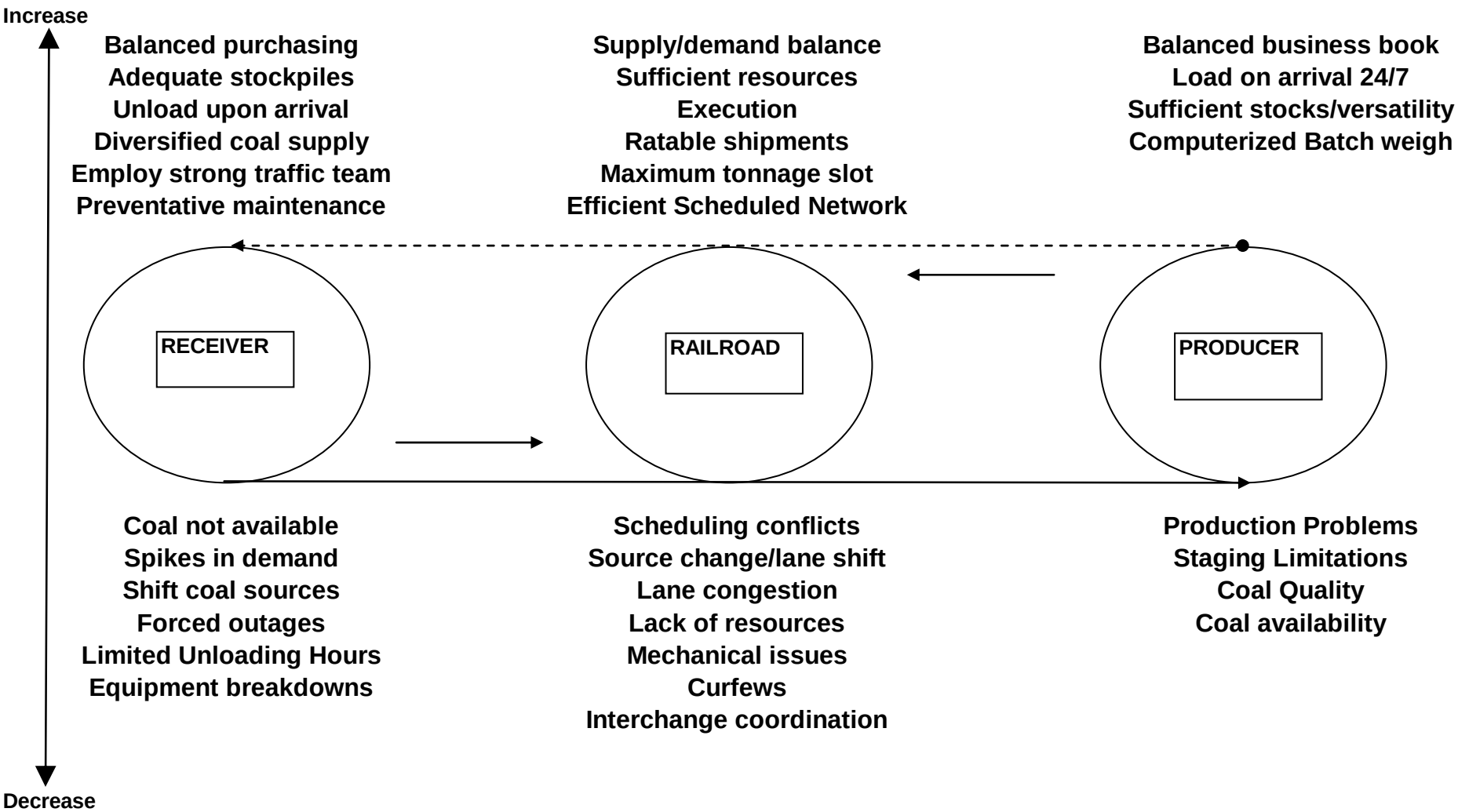


- Unloading efficiency
- Unloading hours
- Unload speed
- Breakdowns
- Limited unloading times
- On site blending
- Out of spec coal
- Maintenance conflicts
- Weather

- Crew availability
- Power availability
- Equipment availability
- Trains ahead
- Weather
- Derailments
- Breakdowns
- Congestion
- Execution

- Available inventory
- Storage constraints
- Coal quality conflicts
- Train sequencing
- Breakdowns
- Weather
- Loading efficiency
- Maintenance conflicts
- Weekend loading

Rail Service is just one aspect of the Energy Supply Chain



Improving the supply chain is highly dependent on the parties working together

- Increasing productivity
  - Eliminate dwell and dead time
  - Train size; maximize tons per available slots
- Increasing alignment
  - Synch loading operations with unloading operations
  - Smoother purchasing and stockpile practices
- Improve Communications and use of technology
  - Orderly business book – don’t plan for failure
  - Increase visibility among parties

The Energy Supply Chain is more complex and interdependent than commonly recognized

- Railroads are largely dependent on business decisions and performance of all of the parties in the energy transportation network
- CSXT is committed to the industry and to the committee to explore ways of improving the reliability of our service as part of that chain

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