

Surface Transportation Board – Rail Energy Transportation Advisory Committee Meeting

Performance Measures Subcommittee Update



September 15, 2010



Using EIA, AAR and individual railroad data sources, a data table is assimilated, and from it.....

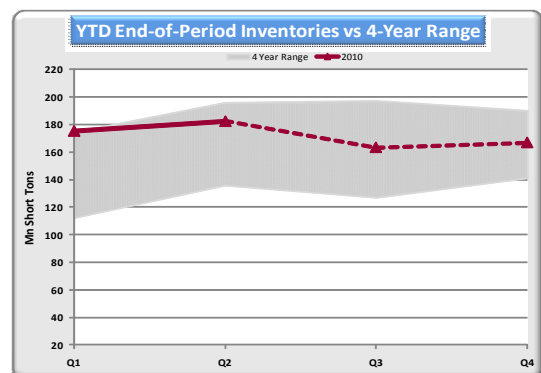
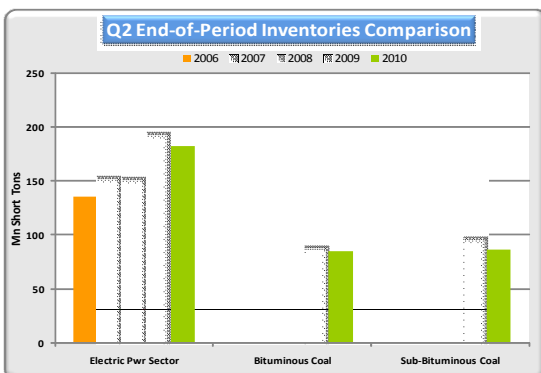
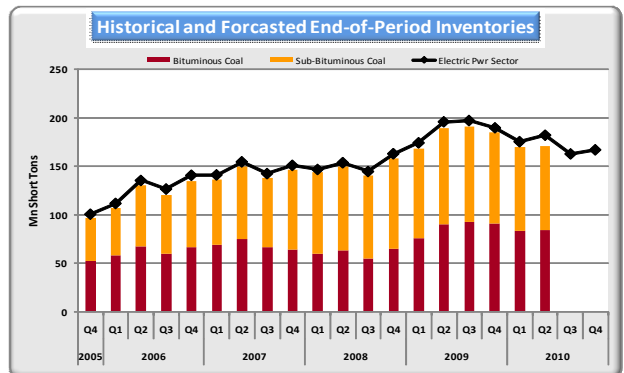
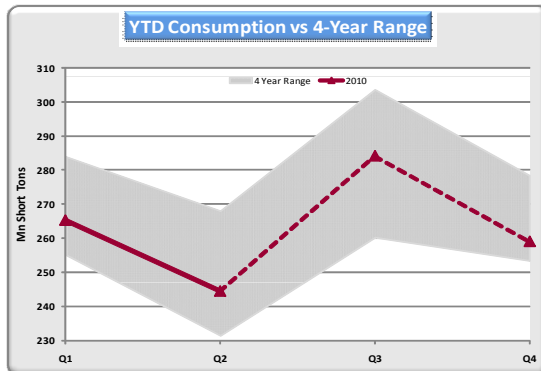
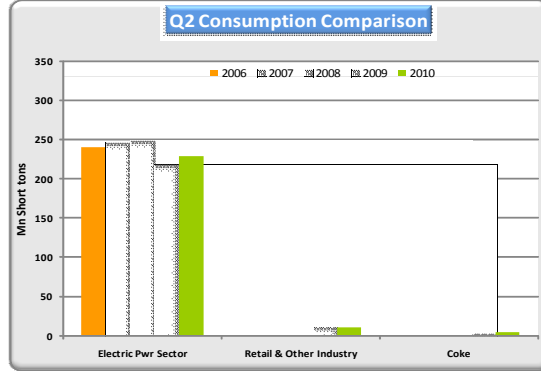
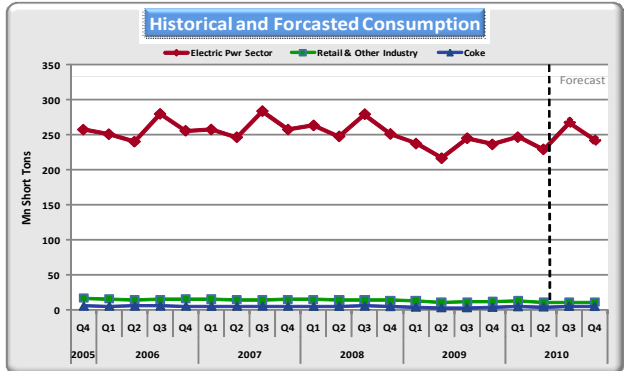
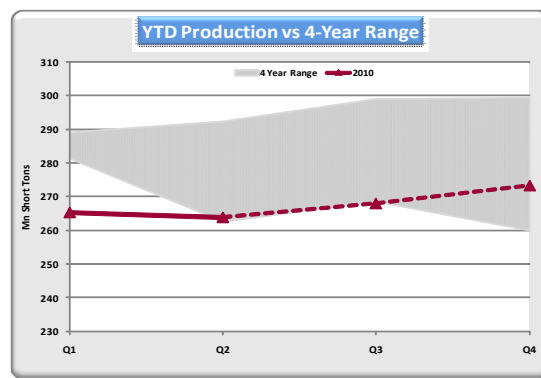
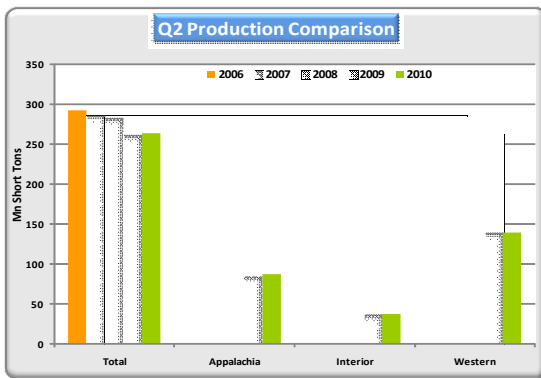
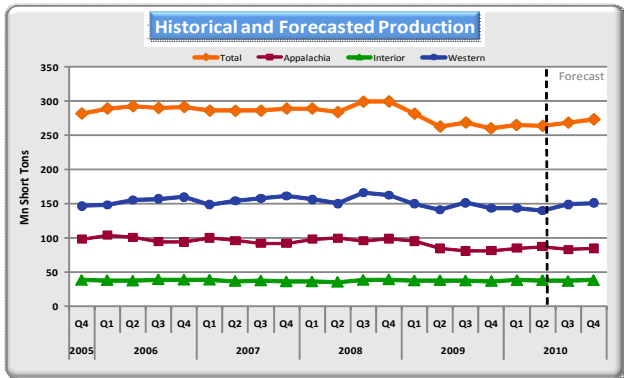
Five coal-related dashboards, organized as follows:

1. Coal Production, Consumption, and Inventories Dashboard
2. Coal Exports Dashboard
3. Western Rail Coal Carloads Dashboard
4. Eastern Rail Coal Carloads Dashboard
5. Railroad Coal Train Speed Dashboard

Each dashboard has three sections:

- a. Left - historical and forecasted data (no forecasts of rail metrics)
- b. Middle - comparison for the most recent quarter (in this case Q2)
- c. Right - YTD comparison versus the 4-year range

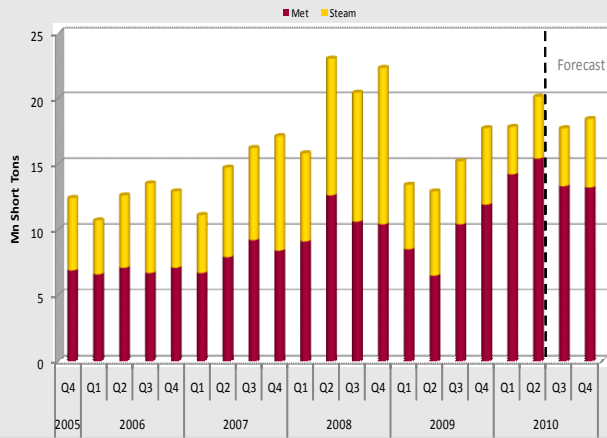
U.S. COAL PRODUCTION, CONSUMPTION, AND INVENTORIES DASHBOARD



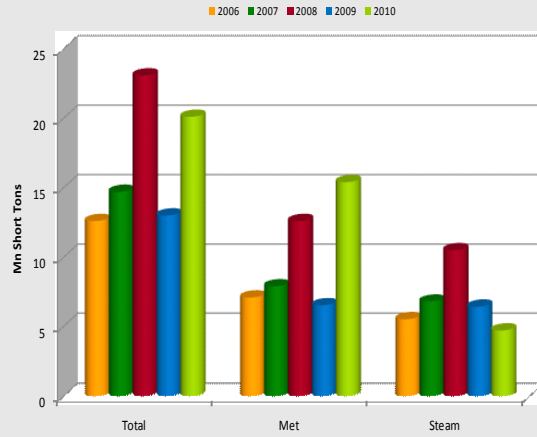
Source Data: EIA

U.S. COAL EXPORTS DASHBOARD

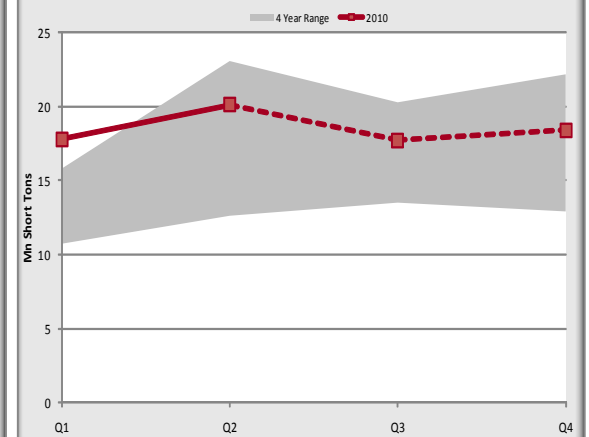
Historical and Forecasted Exports



Q2 Exports Comparison



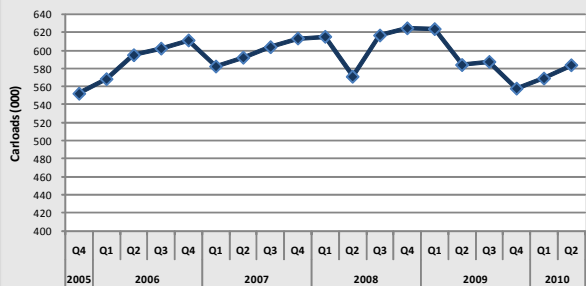
YTD Exports vs 4-Year Range



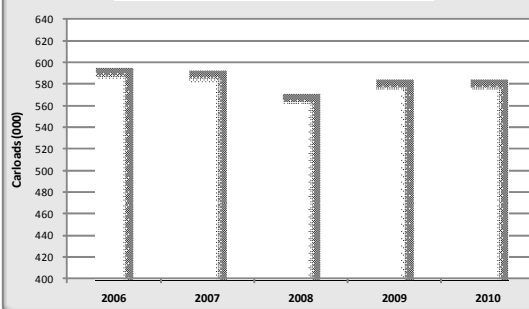
Source Data: EIA

WESTERN RAILROAD COAL CARLOADS DASHBOARD

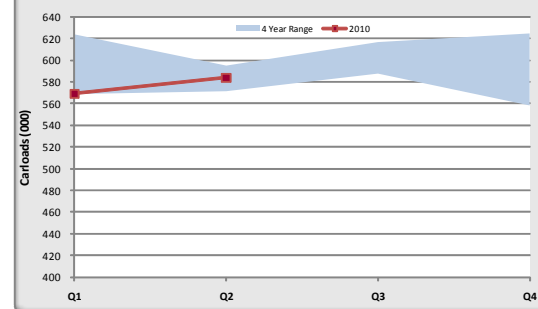
BNSF Historical Originations



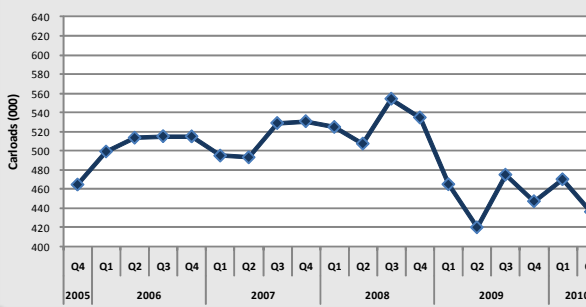
BNSF Q2 Originations Comparison



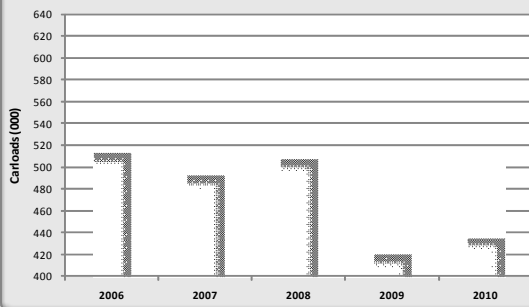
BNSF YTD Originations vs 4-Year Range



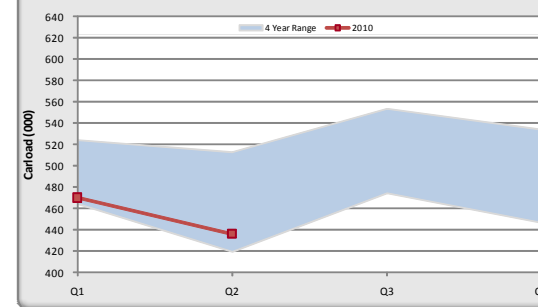
UP Historical Originations



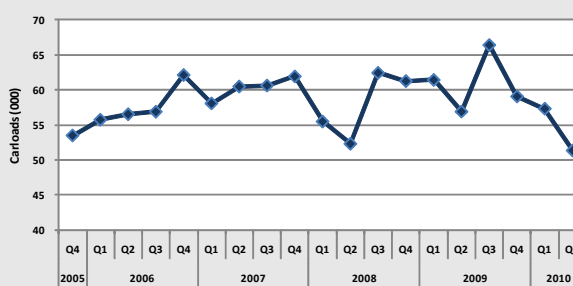
UP Q2 Originations Comparison



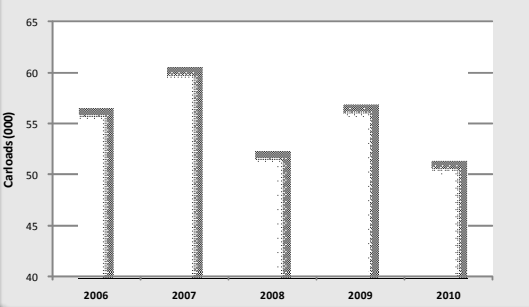
UP YTD Originations vs 4-Year Range



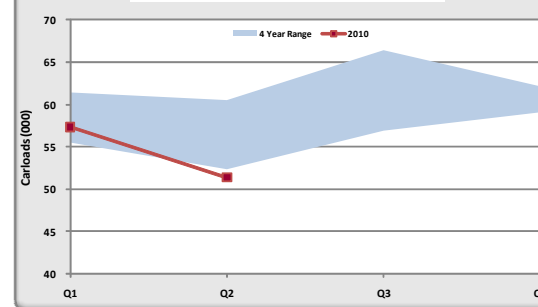
KCS Historical Receipts



KCS Q2 Receipts Comparison



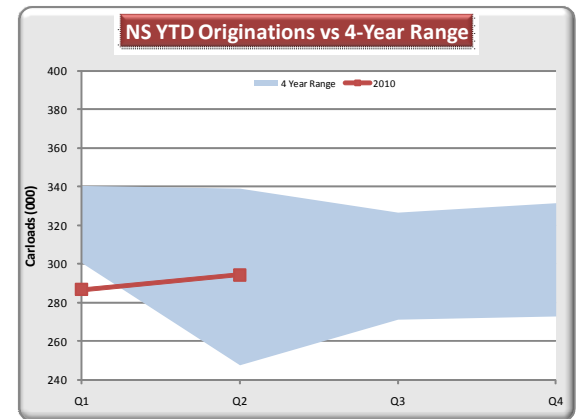
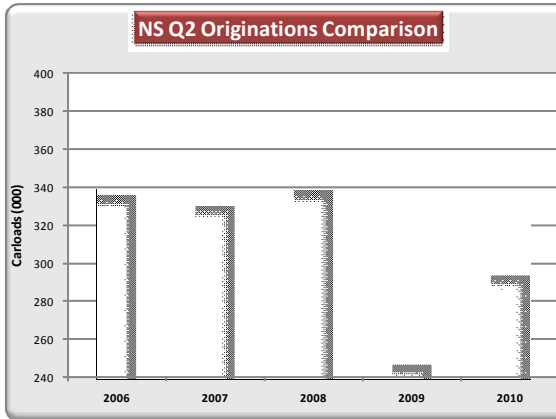
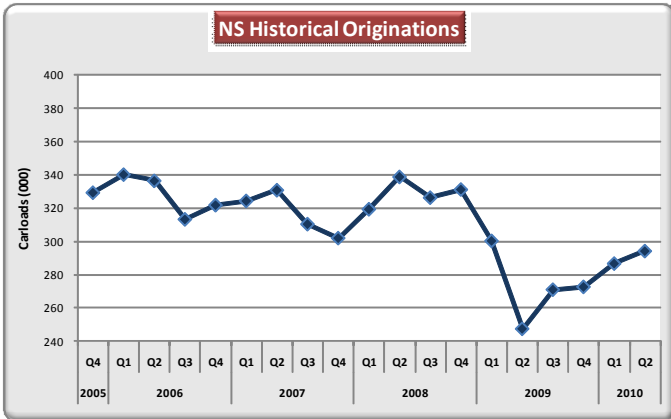
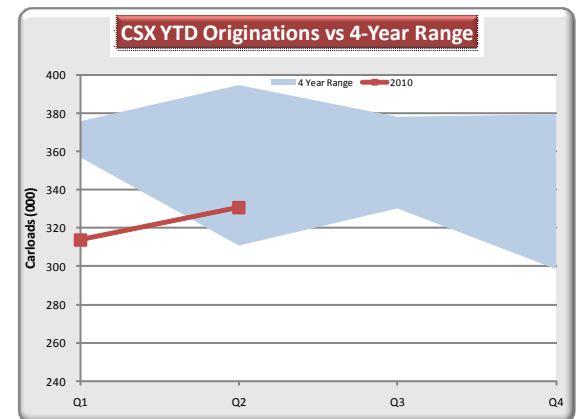
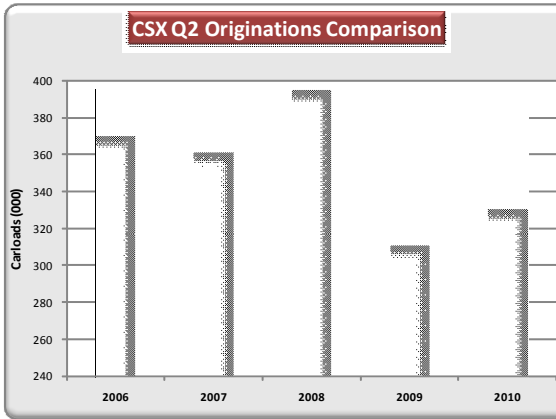
KCS YTD Receipts vs 4-Year Range



Source Data: AAR, BNSF, UP, KCS

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EASTERN RAILROAD COAL CARLOADS DASHBOARD

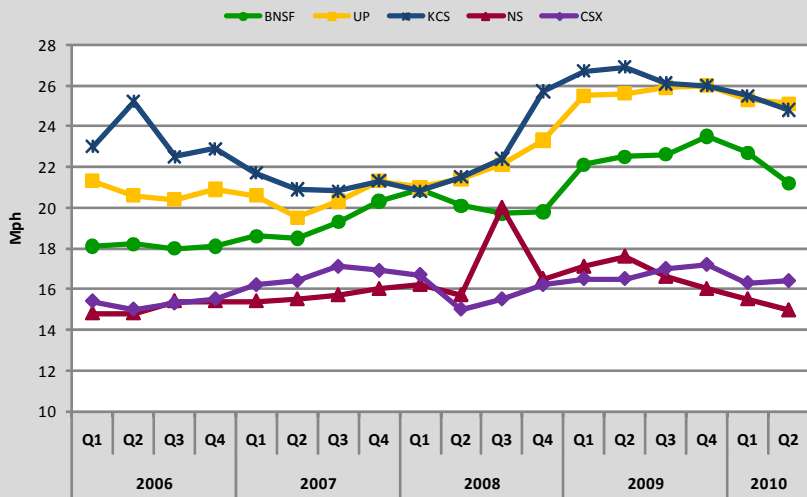


Source data: AAR, CSX, NS

Source data: AAR, CSX, NS

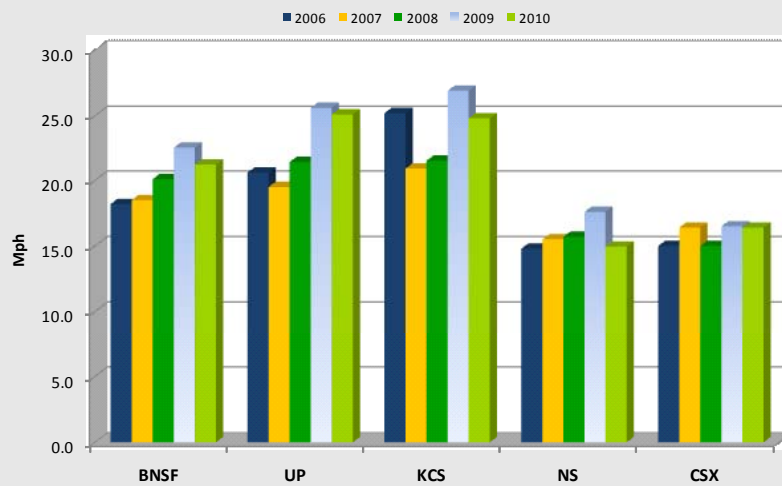
RAILROAD COAL TRAIN SPEED DASHBOARD

Historical Coal Train Speed



Source Data: AAR, BNSF, UP, KCS, NS, CSX

Q2 Coal Train Speed Comparison



Source data: AAR, BNSF, CSX, KCS, NS, UP

Subcommittee caucus on key points from data and dashboard review, and general trends

- ❑ **Coal Production:** down ~ 3% first half 2010, EIA projects year-end flat
- ❑ **Coal Consumption:** EIA Electric Power Sector consumption up ~ 5% or 21 mn tons first half 2010, on weather and some economic recovery. EIA projects this trend to continue for the balance of the year
- ❑ **Coal Inventories:** have declined from excessively high 2009 levels. Electric Power Sector ended Q2 at 182 mn tons per EIA, with further declines toward normalized levels expected by year end
- ❑ **Coal Exports:** first half up 44% versus 2009, with particularly strong demand for metallurgical coal from China and other Asian countries. EIA projects year end exports up 25% for the year, ending at 74 mn tons versus 59 mn in 2009, and 81.5 mn in 2008
- ❑ **2011 Forward Look:** EIA forecasts 2011 coal production increasing slightly, Electric Power Sector coal consumption flat, coal inventories fairly flat, and coal exports remaining the same as 2010

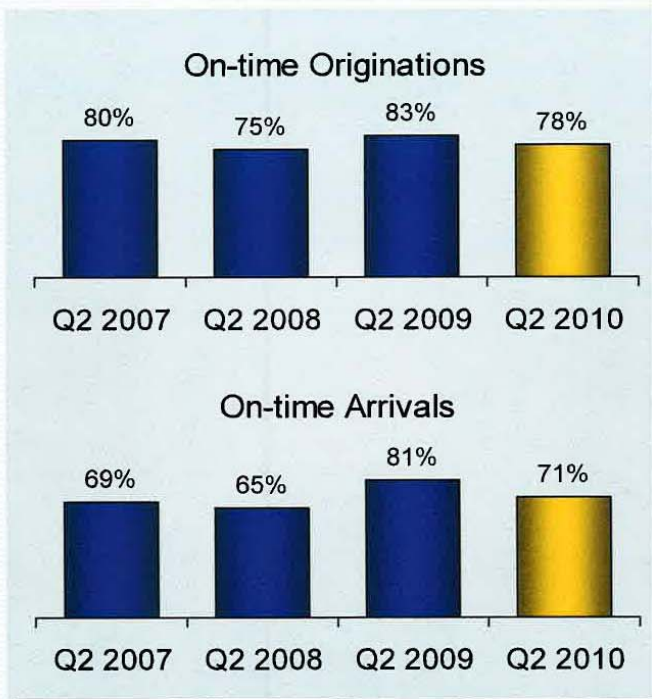
Subcommittee caucus on key points from data and dashboard review, and general trends

- ❑ **General:** AAR volumes continue to show growth versus 2009, up 7% on carloads and 14% on intermodal through week 35, but down 13% and 5% respectively from 2008
 - No indications of a double dip
- ❑ **COAL CARLOADS:** through week 35 of 2010, AAR's originated coal carloads for major U.S. railroads down 1% in the aggregate
 - First half 2009 individual railroad YOY coal comparisons:
 - BNSF originations: -55,000 carloads, or -4.5%
 - UP originations: +21,000 carloads, or +2.4%
 - CSX originations : -36,000 carloads, or -5.3%
 - NS originations: +33,000 carloads, or +6.0%
 - KCS received: -9,700 carloads, or -8.2%
- ❑ **COAL TRAIN SPEEDS:** down first half 2010
 - BNSF: 1.6% slower
 - UP: 1.4% slower
 - CSX: 0.9% slower
 - NS: 12.2% slower
 - KCS: 6.2% slower

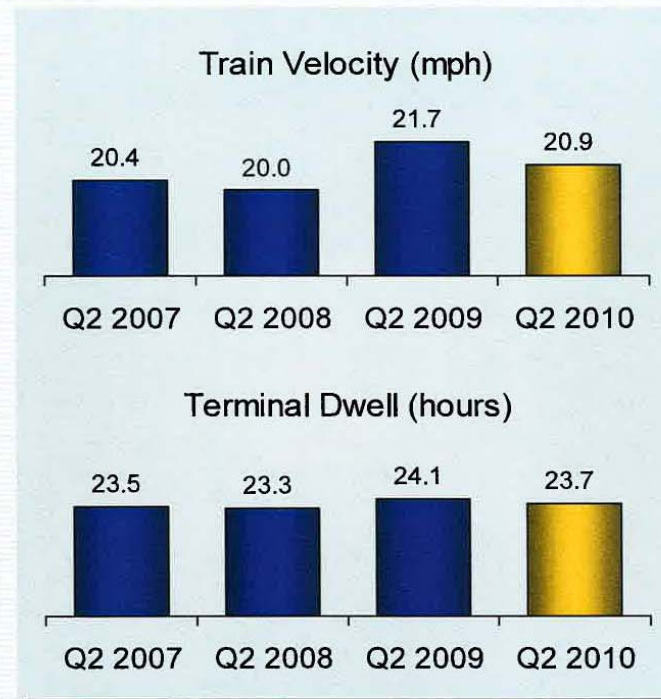
Selected Other Rail Performance-Related Measures: CSX

Year-over-year performance stable at high levels

Service Reliability

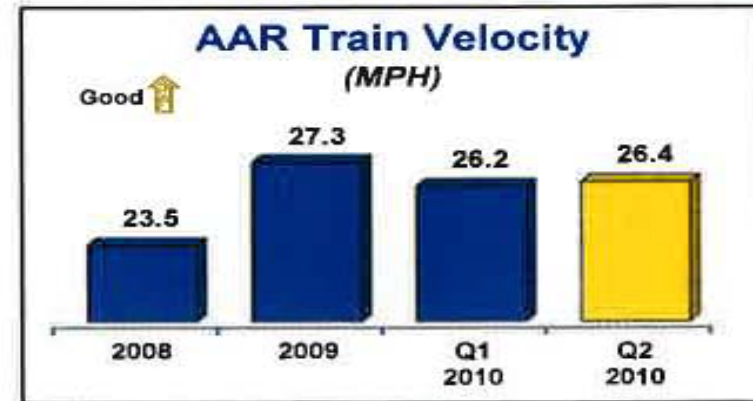
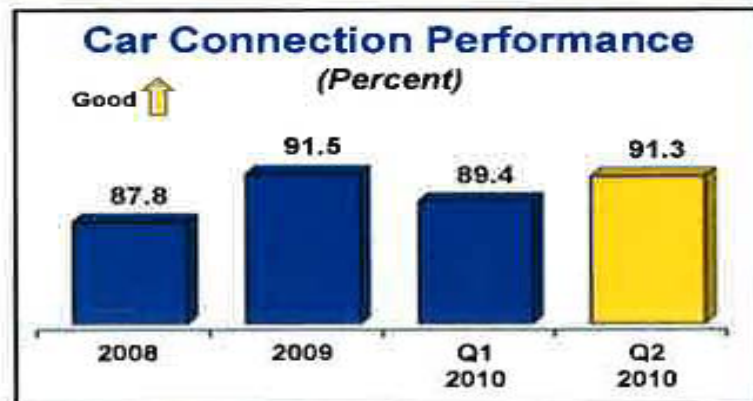
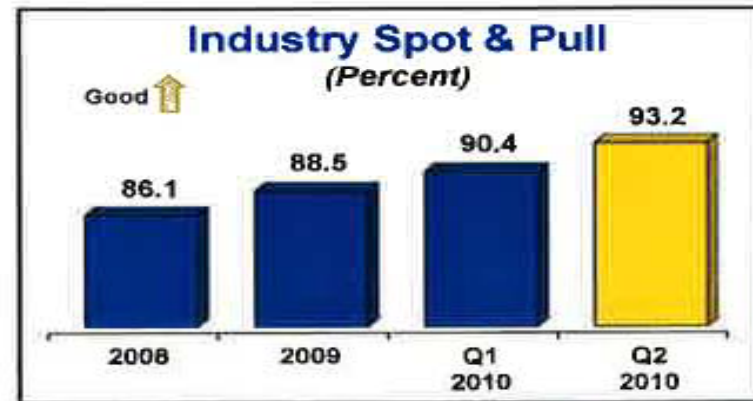


Network Performance



Selected Other Rail Performance-Related Measures: Union Pacific

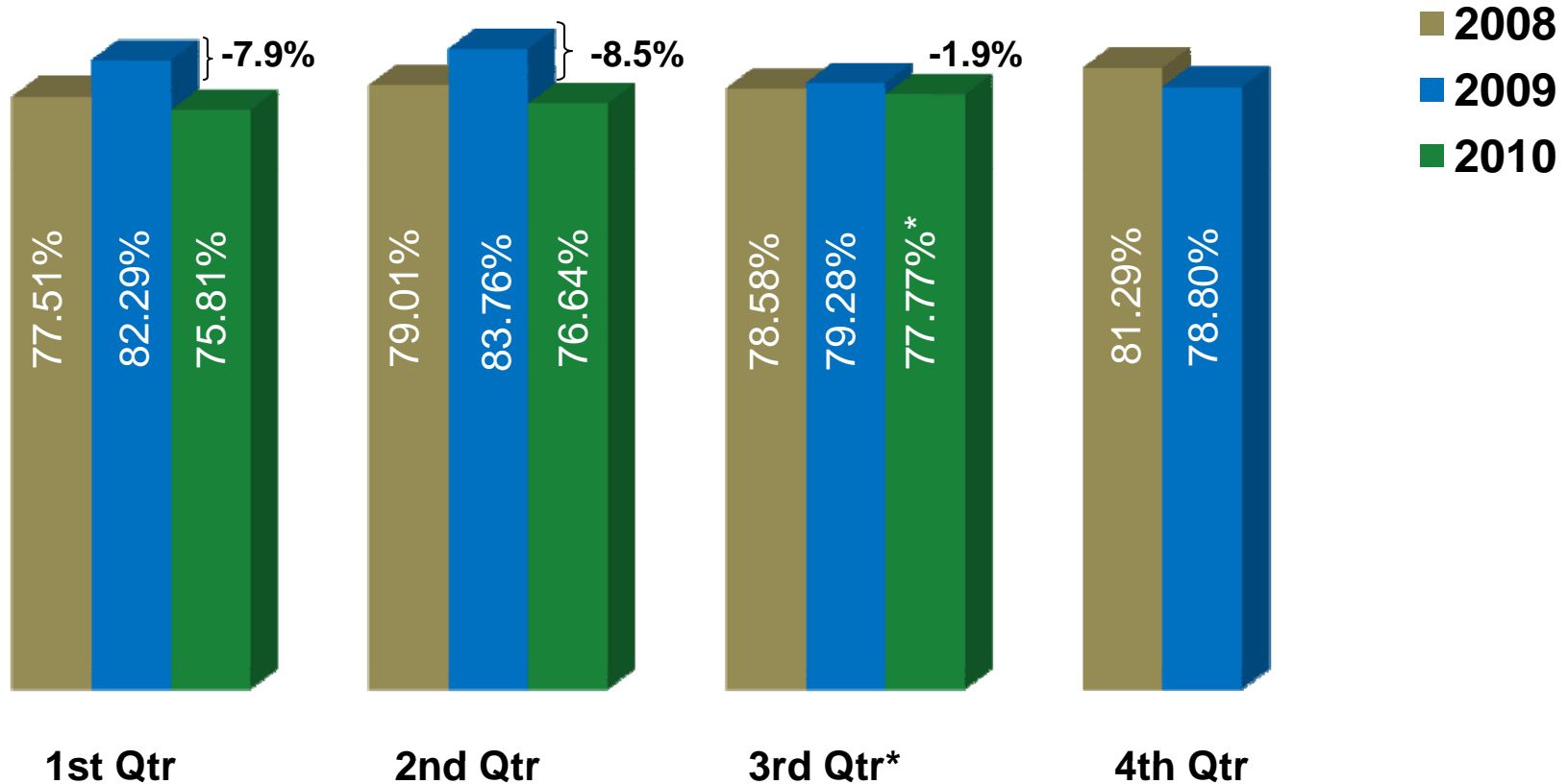
Delivering Service Excellence



Selected Other Rail Performance-Related Measures: NS

Composite Service Performance By Quarters 2008 - 2010

Change from Prior Year:



*Preliminary 3rd Qtr - July thru September 3rd

Ethanol – Demand Trends

- Blend economics until recently have been profitable allowing continued growth in ethanol market share
- Infrastructure to handle blend demand is in place with near 100% saturation in all markets.
- Probable increases to blend limits to be passed Oct/Nov 2010
- DDGS inclusion in feed rations in the Far East destinations creating additional export flows
 - 9.0 million tons to be exported 2010
- California LCFS to be in effect by Jan 2011
 - Corn ethanol continues to satisfy 100% of California ethanol demand until 2012
- US corn carryout to be reduced due to FSU production shortfall
 - Likely see demand rationing to occur which could impact ethanol production outlook

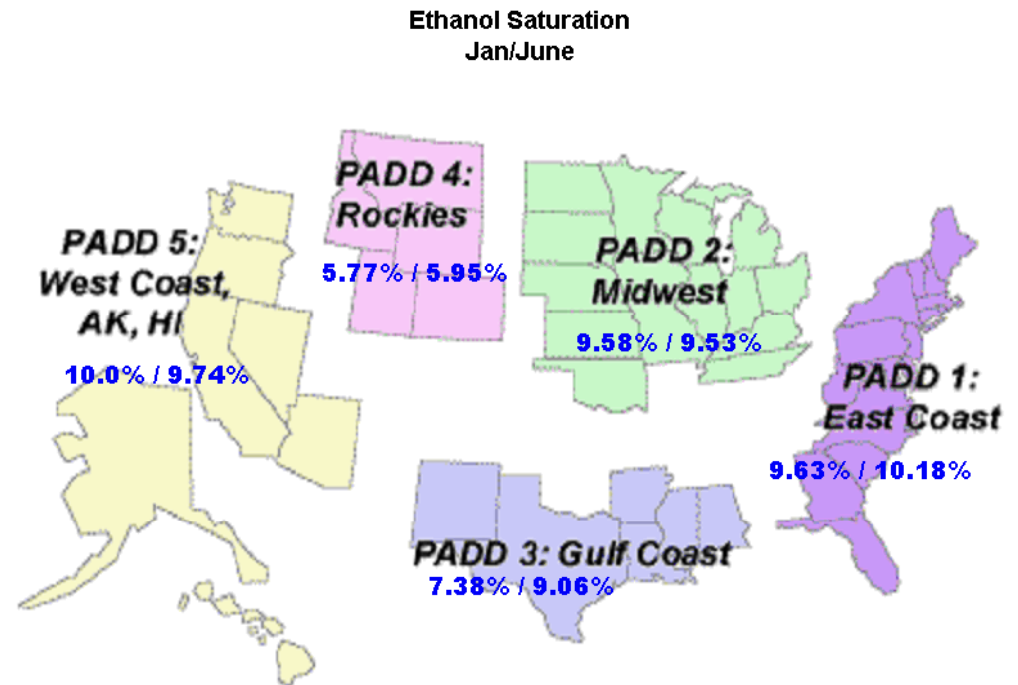
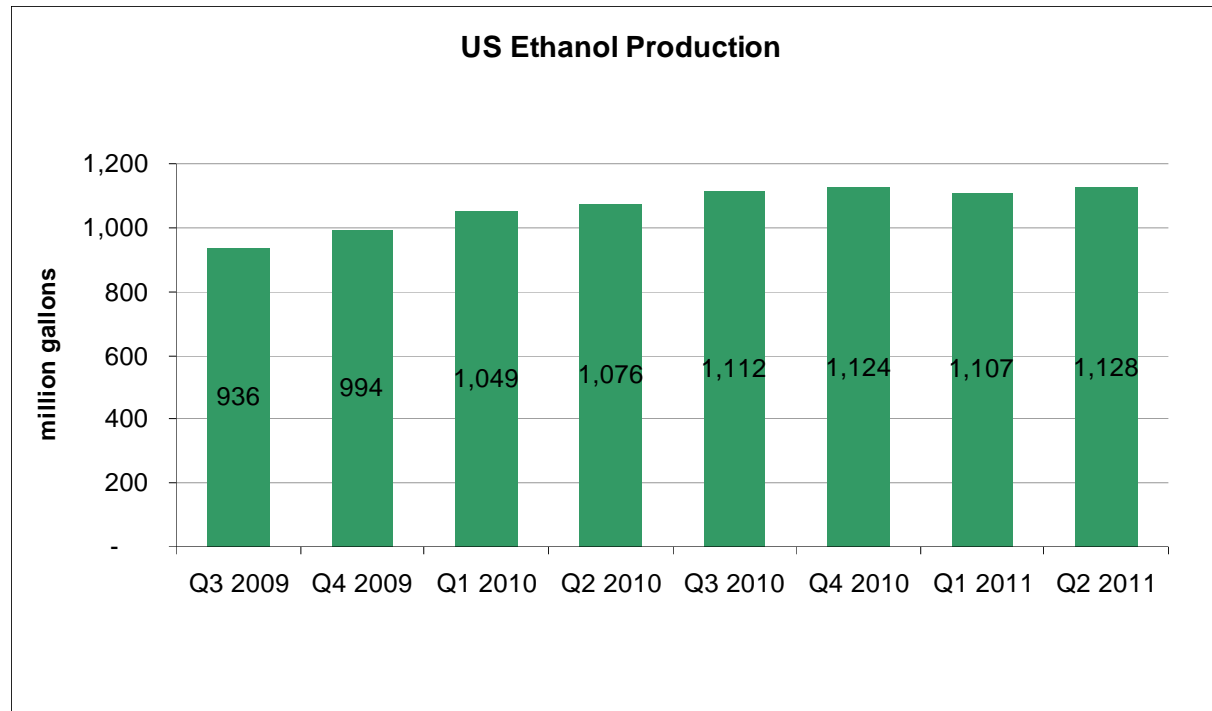


Chart Data Source: EIA
Comment Source Bunge

Ethanol Production

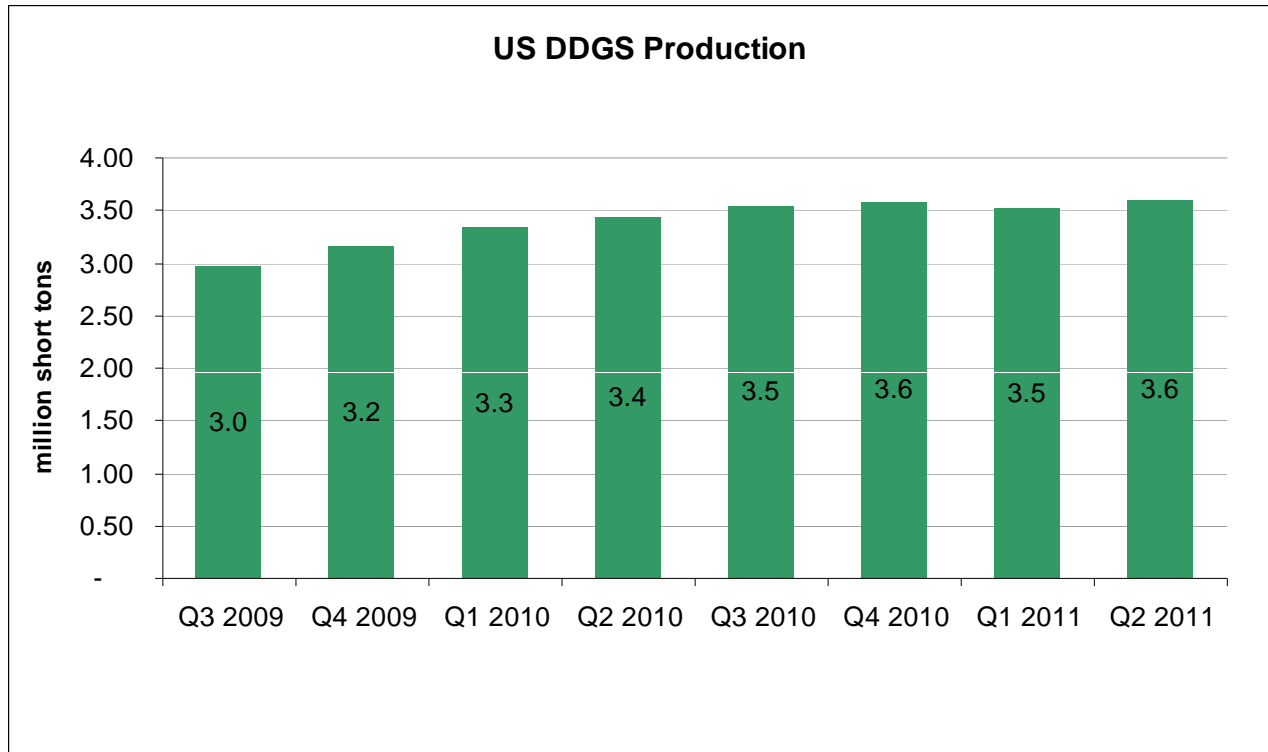


- Jan 1, 2011 expected capacity = 13.5 billion gallons
- US competitive in ethanol global trade
 - Forecast 400 million gallons ethanol exports in 2010
 - Forecast 600 million gallons ethanol exports in 2011
- 2010 mandated levels = 12.0 billion gallons
- 2011 mandated levels: 12.6 billion gallons

Chart Data Source: Bunge Forecast

Comment Source Bunge

DDGS Production



- DDGS exports expanding as Far East destinations increase inclusion rates in feed rations
 - Forecast 9.0 million tons ddgs exports in 2010
 - Forecast 11 million tons ddgs exports in 2011

Chart Data Source: Bunge Forecast

Combined Ethanol and DDGS

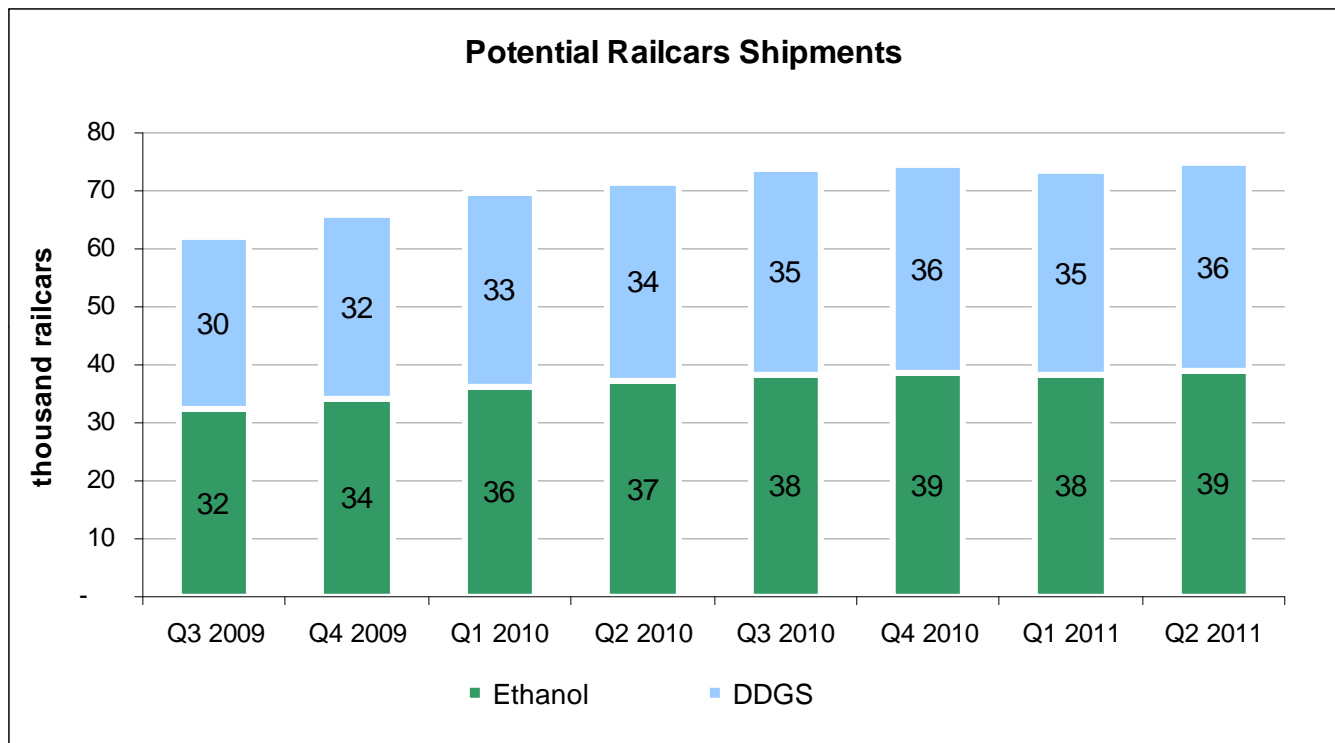


Chart Data Source: Bunge Forecast