Utility Segment Update

OCTOBER 1, 2015, STB RETAC MEETING

Overview

-September 2015 Utility Industry Survey Results

-Summary of Observations from Survey

-Utility Industry Drivers

-Implications to Utility Industry

Utility Industry Survey

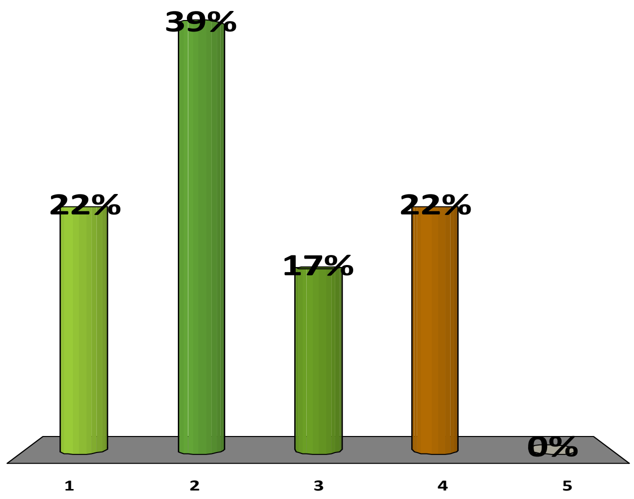
Special Thanks to:

National Coal Transportation Association

For conducting the Utility Segment survey and compiling the data

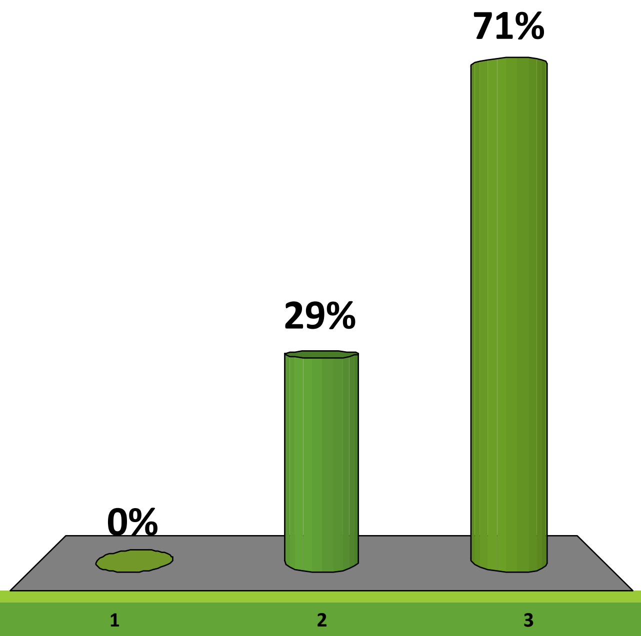
Region the majority of your coal-fired generation located

1. West
2. Midwest
3. South
4. Southeast
5. Northeast



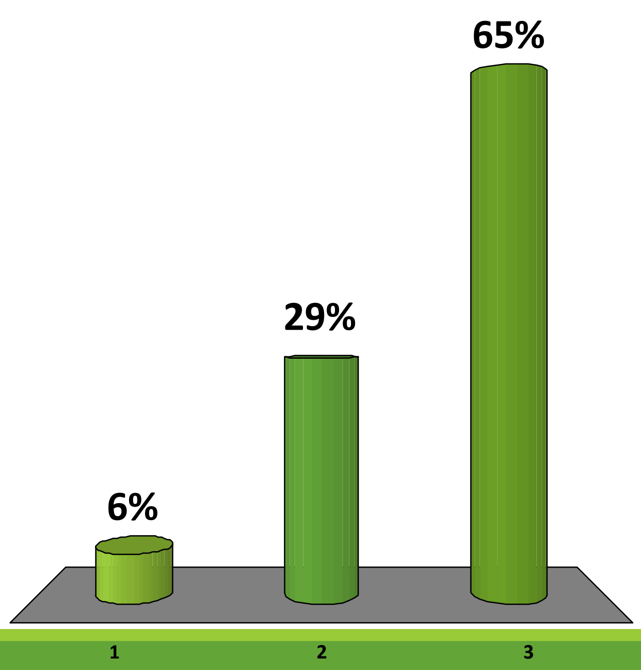
2015 YTD actual coal-fired generation is…

1. Above forecast
2. Similar to forecast
3. Below forecast



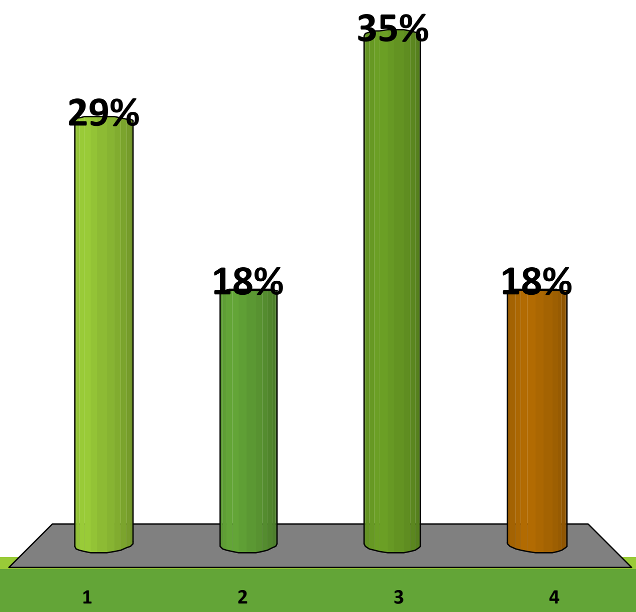
2015 YY actual coal-fired generation is…

1. Above 2014
2. Similar to 2014
3. Below 2014



2015 current coal inventory (average days of burn on hand for generators that run all year)

1. >70
2. 50 – 70
3. 30 – 50
4. <30



2015 YY current coal inventory is…

1. Above 2014
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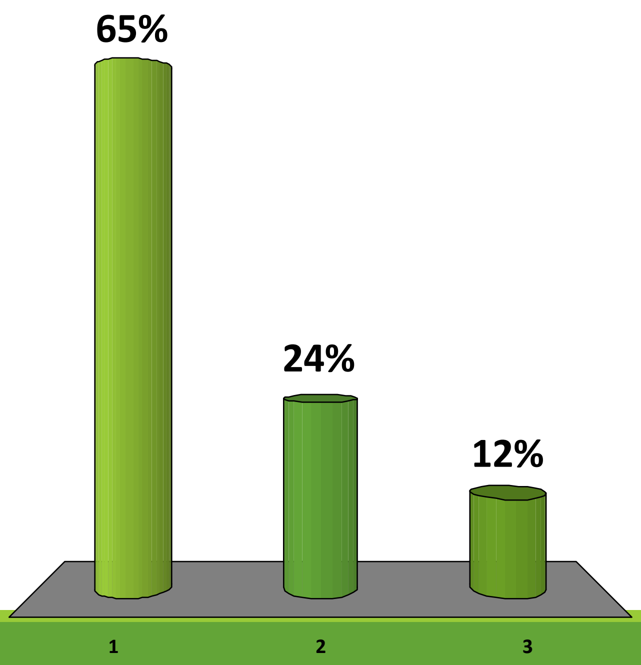
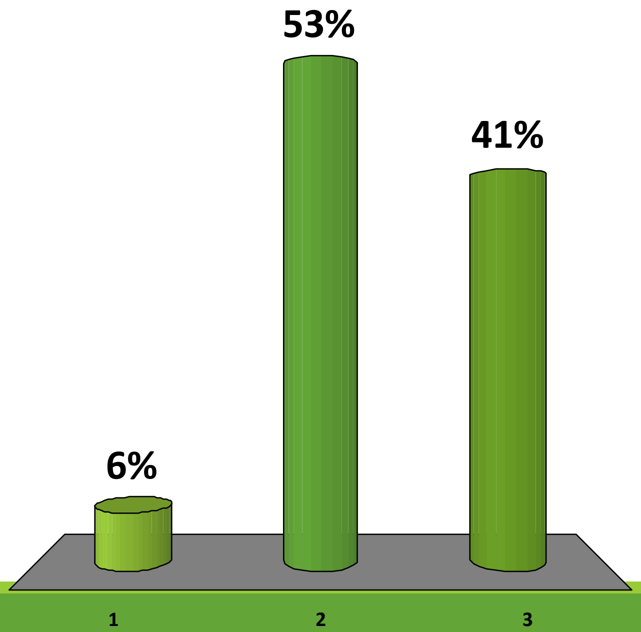


2015 YTD actual rail deliveries are…

1. Above forecast
2. Similar to forecast
3. Below forecast



2015 YY actual rail deliveries are…

1. Above 2014
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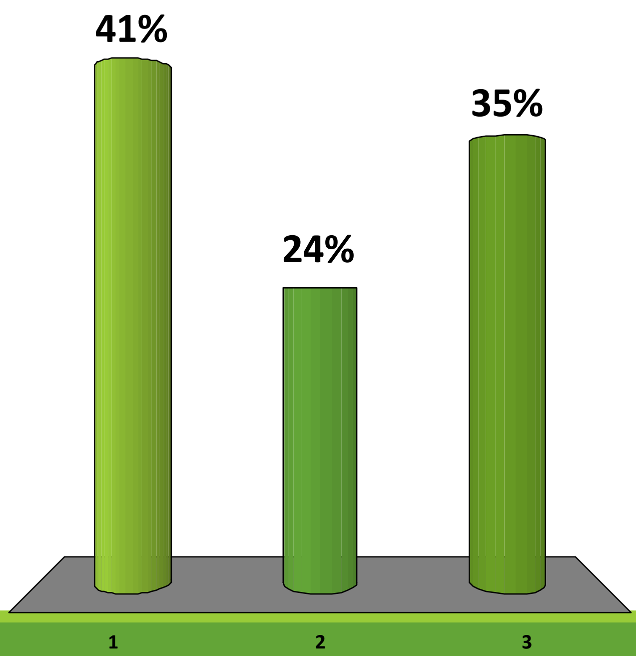
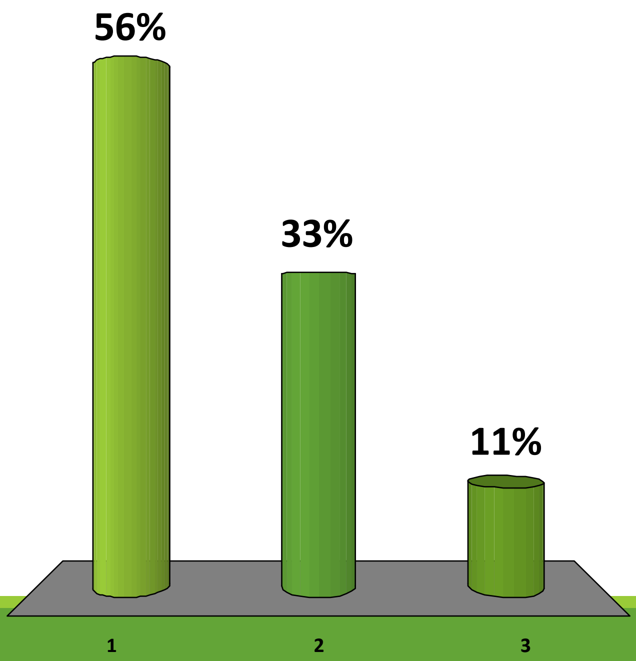
3. Below 2014



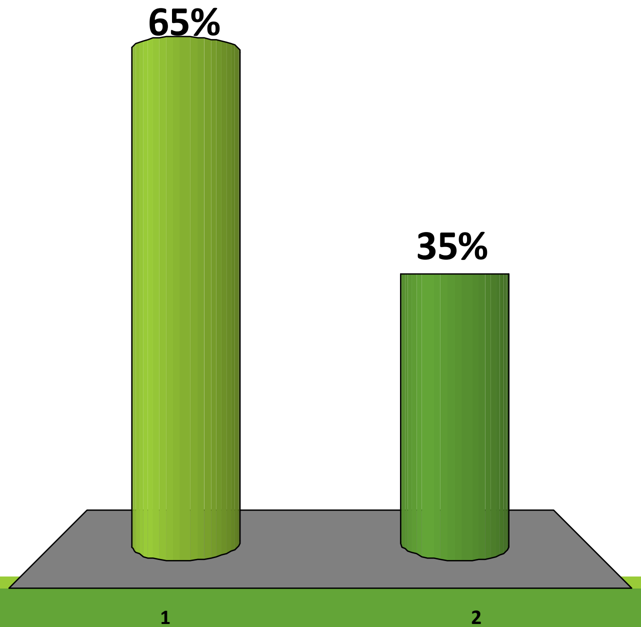
2015 rail cycle times are…

1. Faster than 2014
2. Similar to 2014
3. Slower than 2014



Are you currently storing railsets?

1. Yes
2. No



Survey Observations

-Generation from coal

- Over 2/3 of respondents report as less than both forecast and 2014 levels (71%)

-Coal Inventory

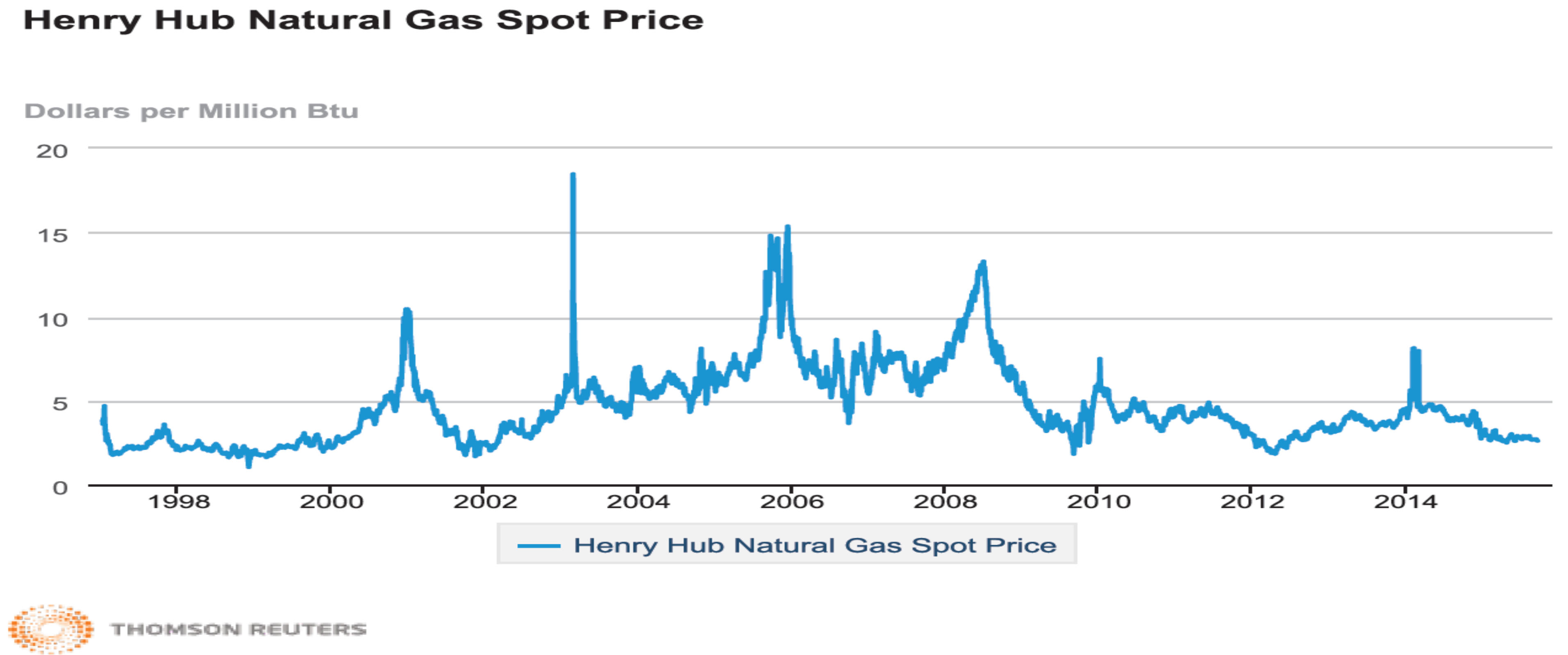
- Wide variation in reported inventory (measured in “days on hand”)
- Nearly 2/3 report inventory levels above 2014

-Rail Deliveries

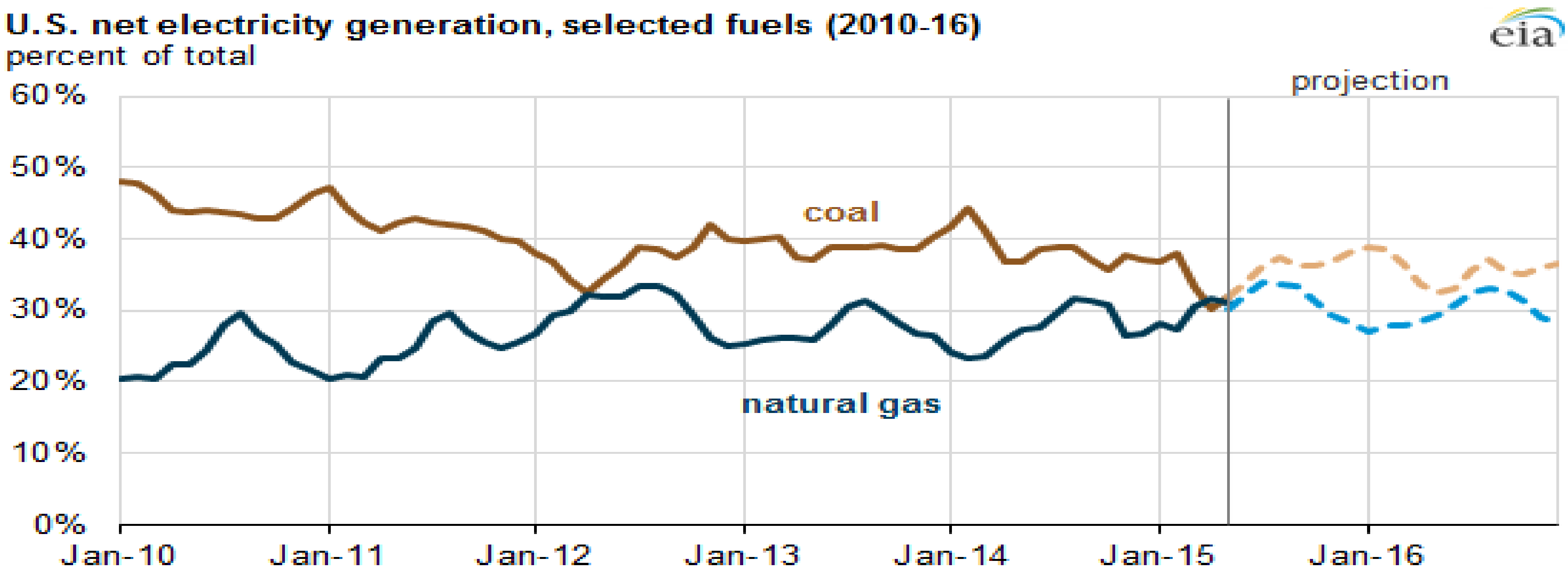
- Over half report deliveries close to forecast while 41% report deliveries are above
- Wide variation in reported 2015 coal deliveries vs. 2014 levels
- Nearly 2/3 of the respondents report they are storing unutilized rail cars

Utility Industry Drivers

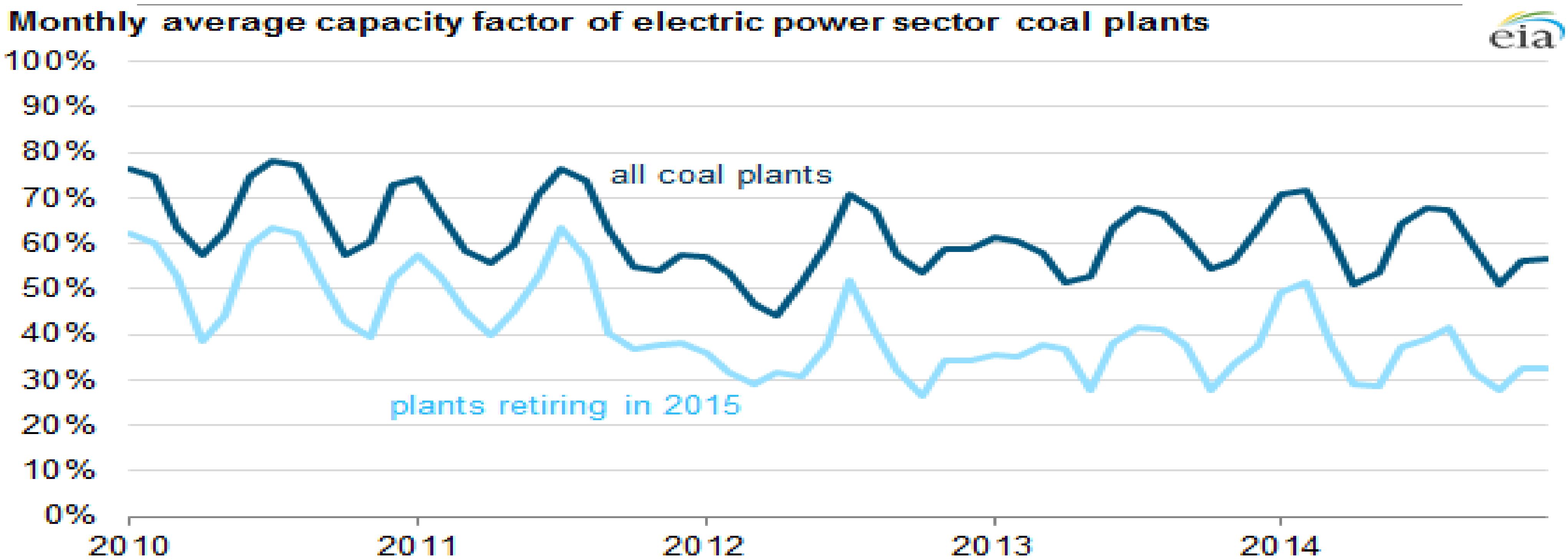
- Natural Gas Prices



Utility Industry Drivers
-Dynamics in the power generation mix



Utility Industry Drivers
-Volatile coal plant capacity/utilization factors



Conclusion

-Demand is down driven mainly by competition from natural gas

-Coal playing less of a "baseload" role and serving a larger "intermediate" dispatch role

-"Ratable Delivery" can be a challenge in this environment

-Need for a flexible delivery system that can rapidly respond to dynamic demand for coal (coal vs. natural gas economics)

Discussion, Questions, and Comments