



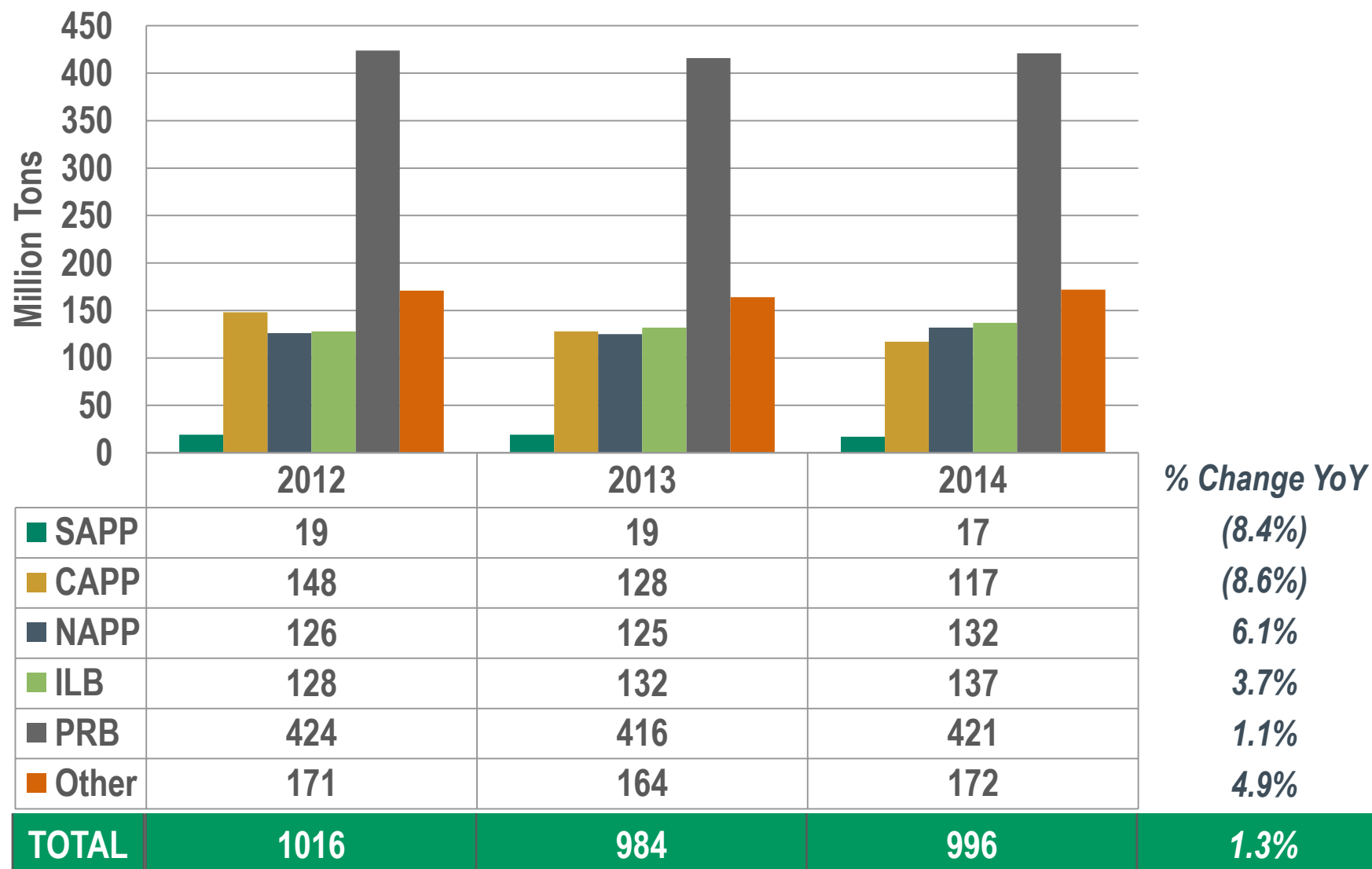
SURFACE TRANSPORTATION BOARD - RETAC COAL PRODUCER UPDATE

**Jill Harrison, SVP & General Counsel
Alpha Coal Sales Co., LLC
April 14, 2015**



Alpha Natural Resources

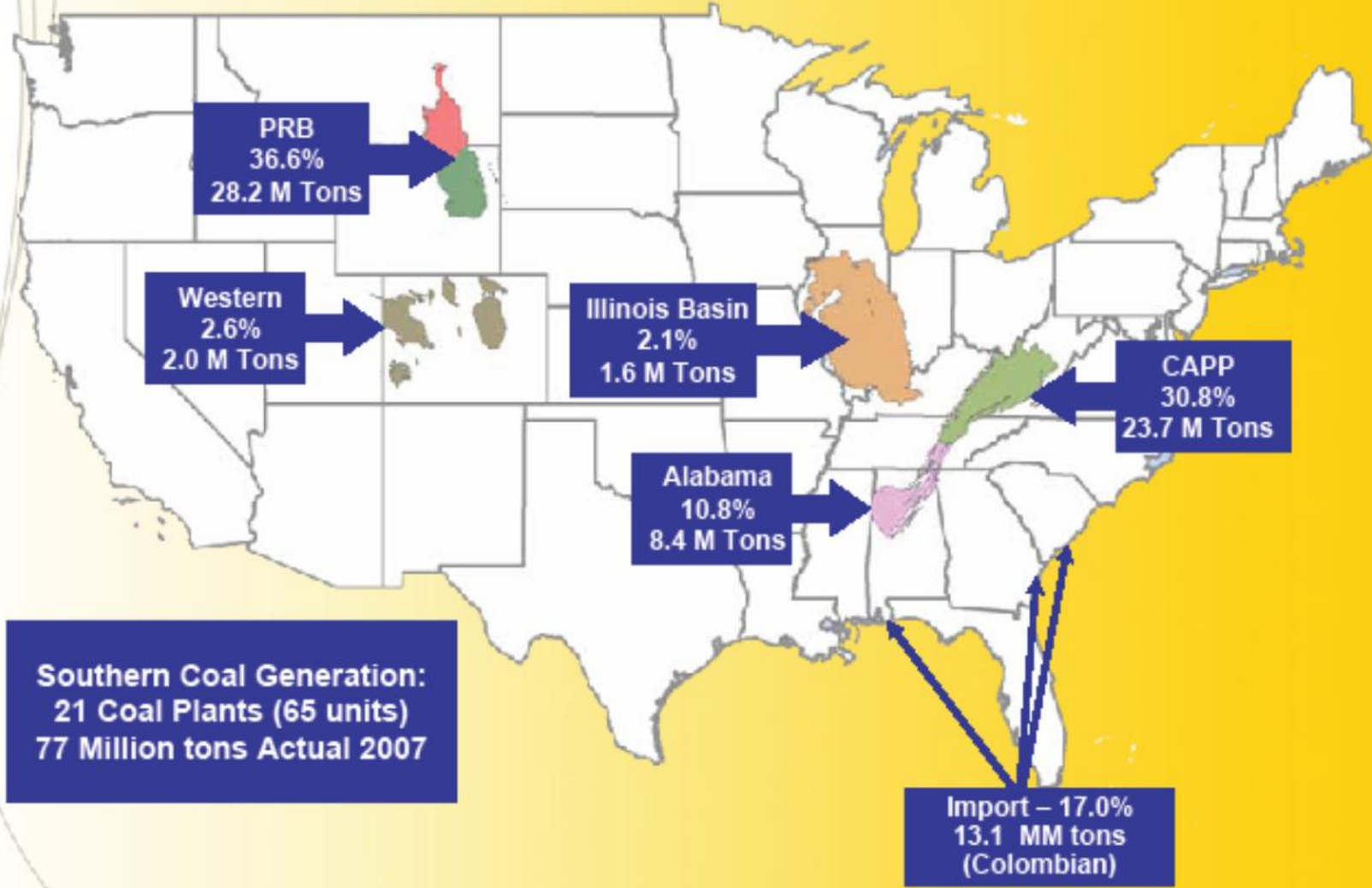
U.S. Coal Production by Basin (million tons)



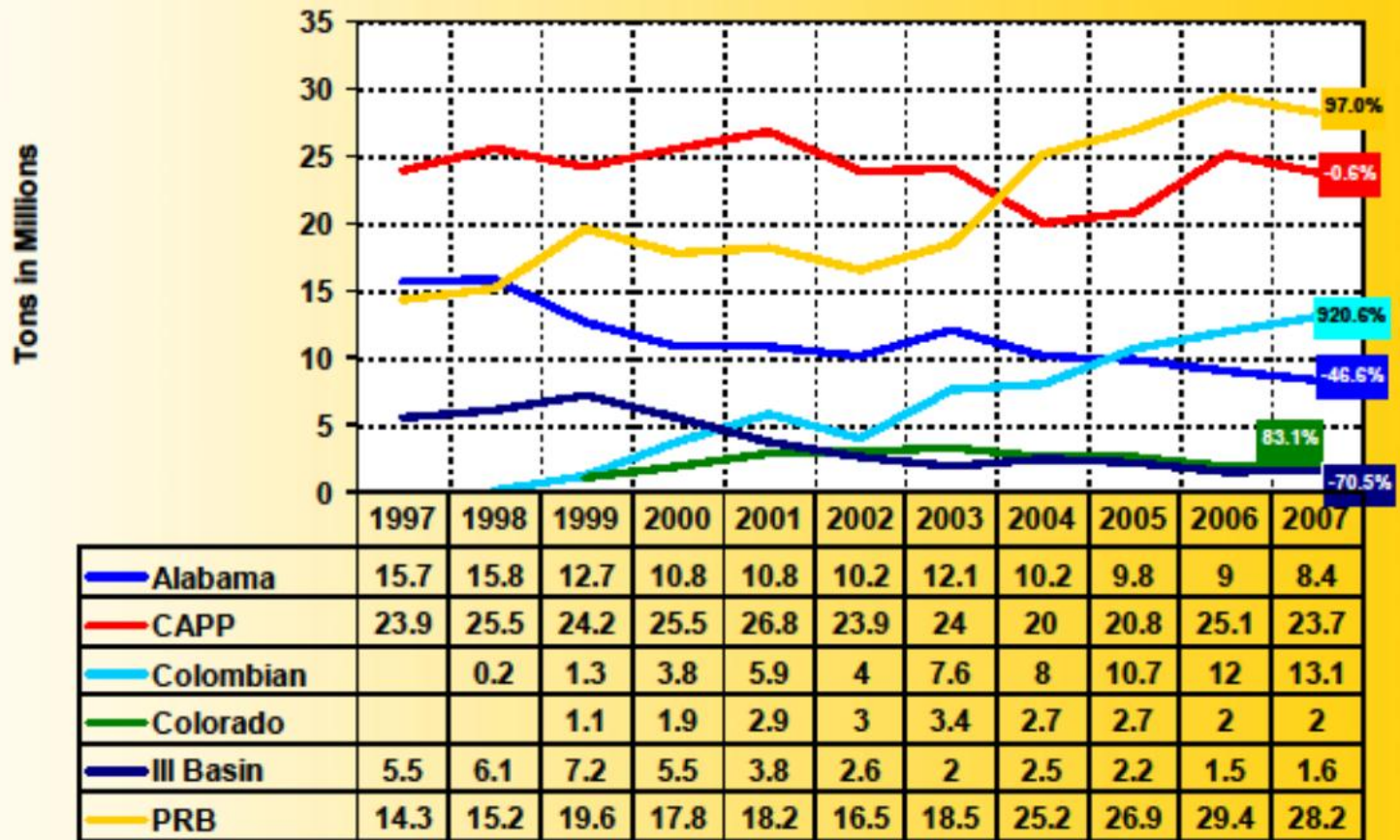
SOURCE: Energy Information Administration (EIA); National Mining Association (NMA), U.S.Census, Alpha Research

Diversity of Coal Purchases 2007

Tons in Millions and % by Region – 100% Actuals



Historical Diversity of Coal Purchases



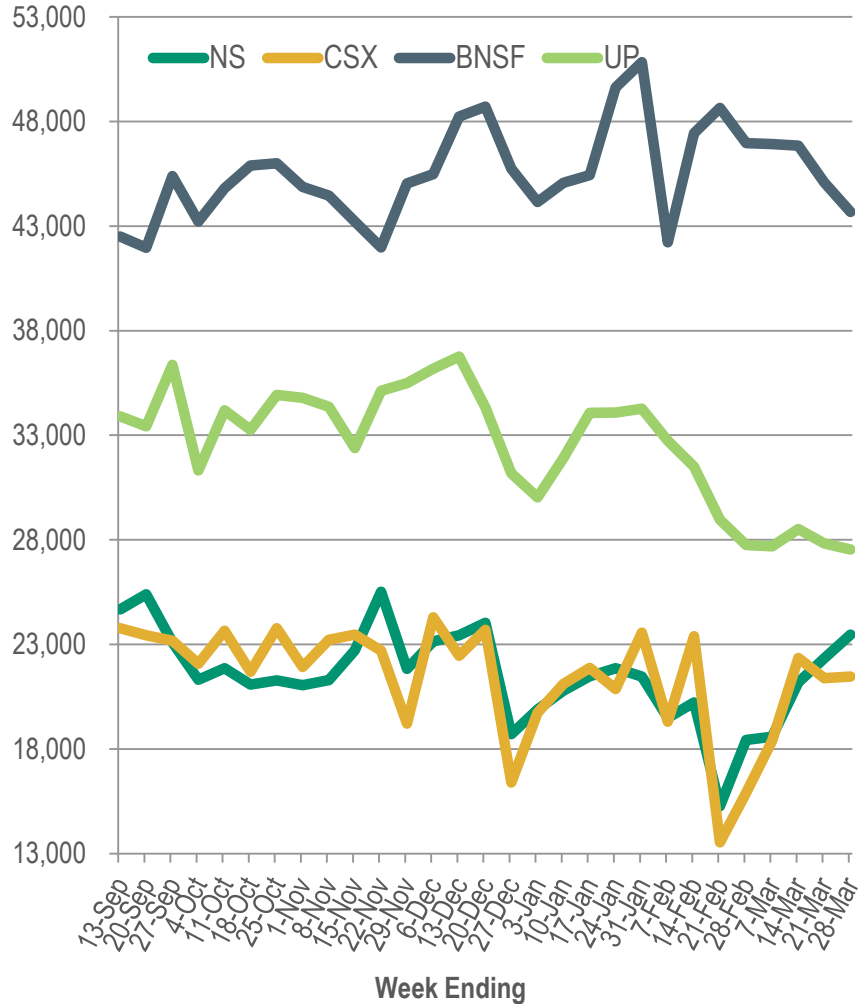
Projected Domestic Pricing for Thermal Coal

OTC Index	2015 Projections					Q1 16	Calendar Year Projections		
	May	June	Q3	Q4	2016		2017	2018	
Powder River Basin (PRB)									
8800 0.8	\$10.20	\$10.30	\$10.35	\$10.55	\$10.90	\$11.40	\$12.65	\$13.70	
8400 0.8	\$9.10	\$9.15	\$9.25	\$9.45	\$9.75	\$10.20	\$11.30	\$12.20	
Central Appalachia (CAPP)									
Nymex 12000 1.7	\$49.25	\$49.25	\$49.00	\$48.75	\$49.75	\$50.50	\$52.50	\$55.00	
CSX 12500 1.6	\$45.15	\$45.25	\$45.40	\$45.70	\$46.55	\$47.80	\$50.80	\$53.30	
NS 12500 1.6	\$46.75	\$46.75	\$47.00	\$47.30	\$47.60	\$48.35	\$50.80	\$53.30	
Northern Appalachia (NAPP)									
MGA Rail 13000 4.0/4.5	\$42.75	\$42.75	\$43.25	\$43.50	\$45.00	\$45.75	\$48.05	\$50.45	
Mon Rvr 13000 4.8	\$45.25	\$45.25	\$45.60	\$46.00	\$47.25	\$47.85	\$50.15	\$52.55	

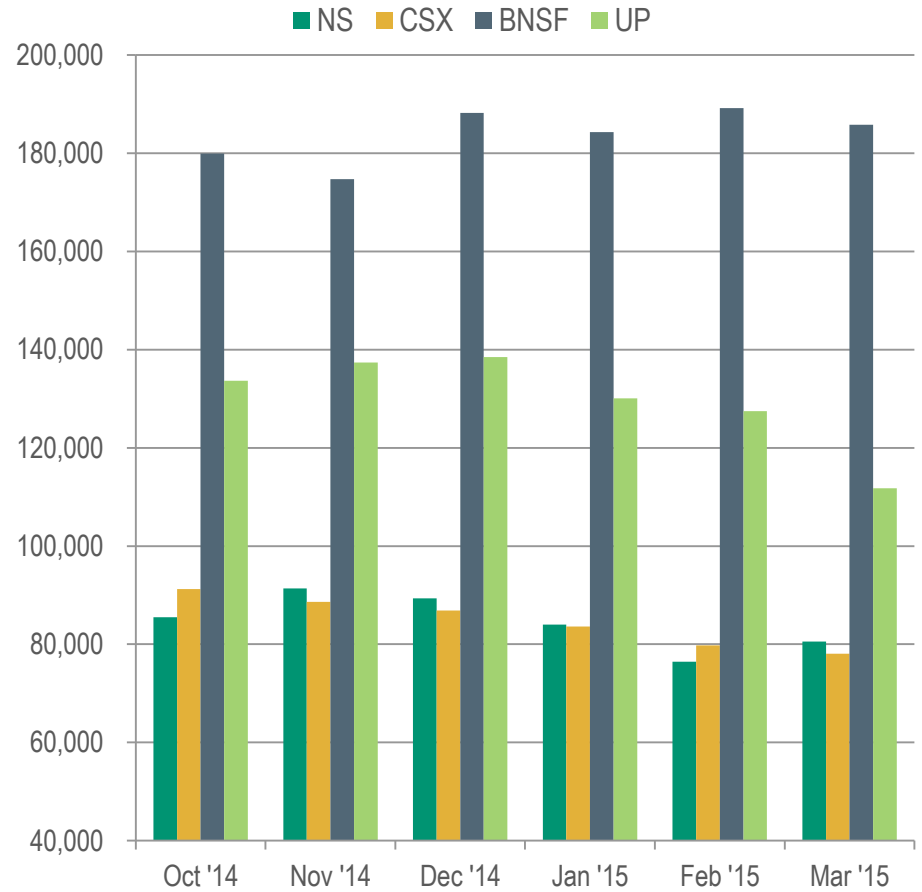
SOURCE: Per CoalDesk publication as of 4/07/2015

U.S. Coal Car Loadings

Weekly Coal Car Loadings




U.S. Class I Coal Car Loadings

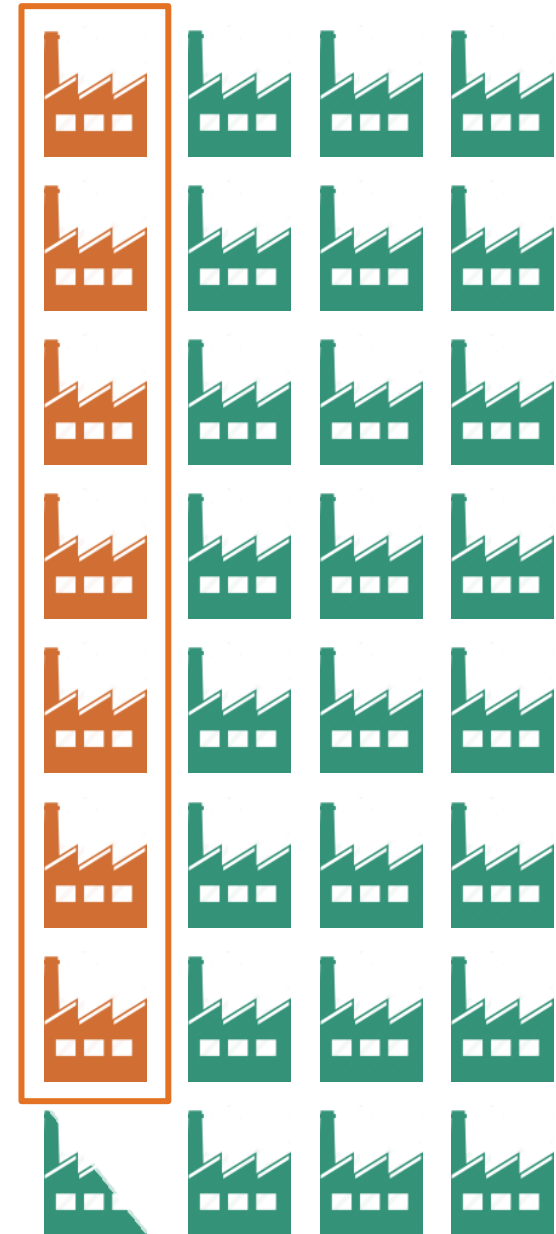


SOURCE: Association of American Railroads

Effects of EPA Regulations

- Of the approximately 315,000 MW that comprised the U.S. coal fleet in 2010, nearly one quarter of that capacity has been announced for closure or conversion.
- Of the announced retirements and conversions, 61,000 MW (19% of the 2010 U.S. coal fleet total capacity), is attributed to EPA policies.
- In their analysis of expected impact from MATS and CSAPR, EPA projected only 9,500 MW of coal-fired power to go offline.

 = approximately 10,000 MW electric-generating capacity



Technology Continues to Advance... Slowly

- Conceptual design for Mississippi Power's Kemper County Energy Facility began in 2008, with earthwork beginning in 2010.
- A number of delays have postponed the plant's scheduled operation and production dates (now expected in the first half of 2016) and added significant cost to the project.
- Initial 2004 forecasts estimated the project would cost \$2.2 billion, but ten years later, Mississippi Power's October 2014 public filing estimates the total project cost at \$6.1 billion, nearly triple original estimates.

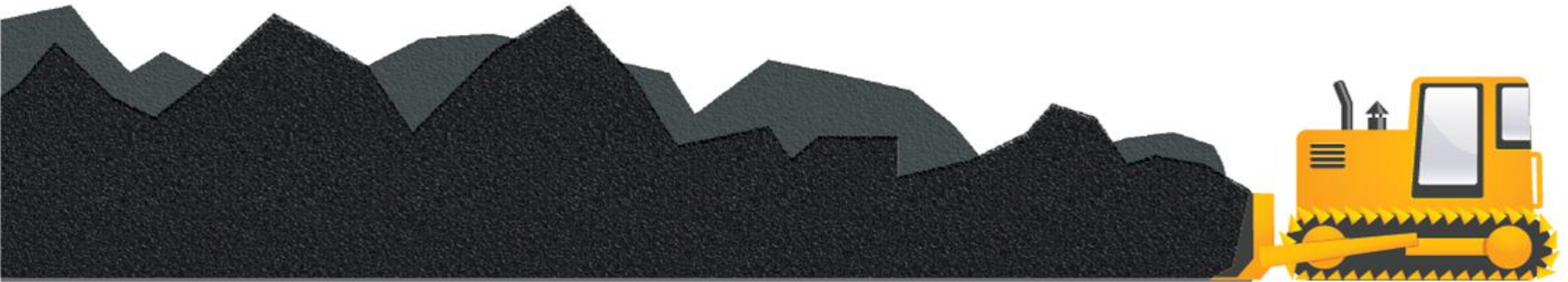


Projected Global Coal Demand

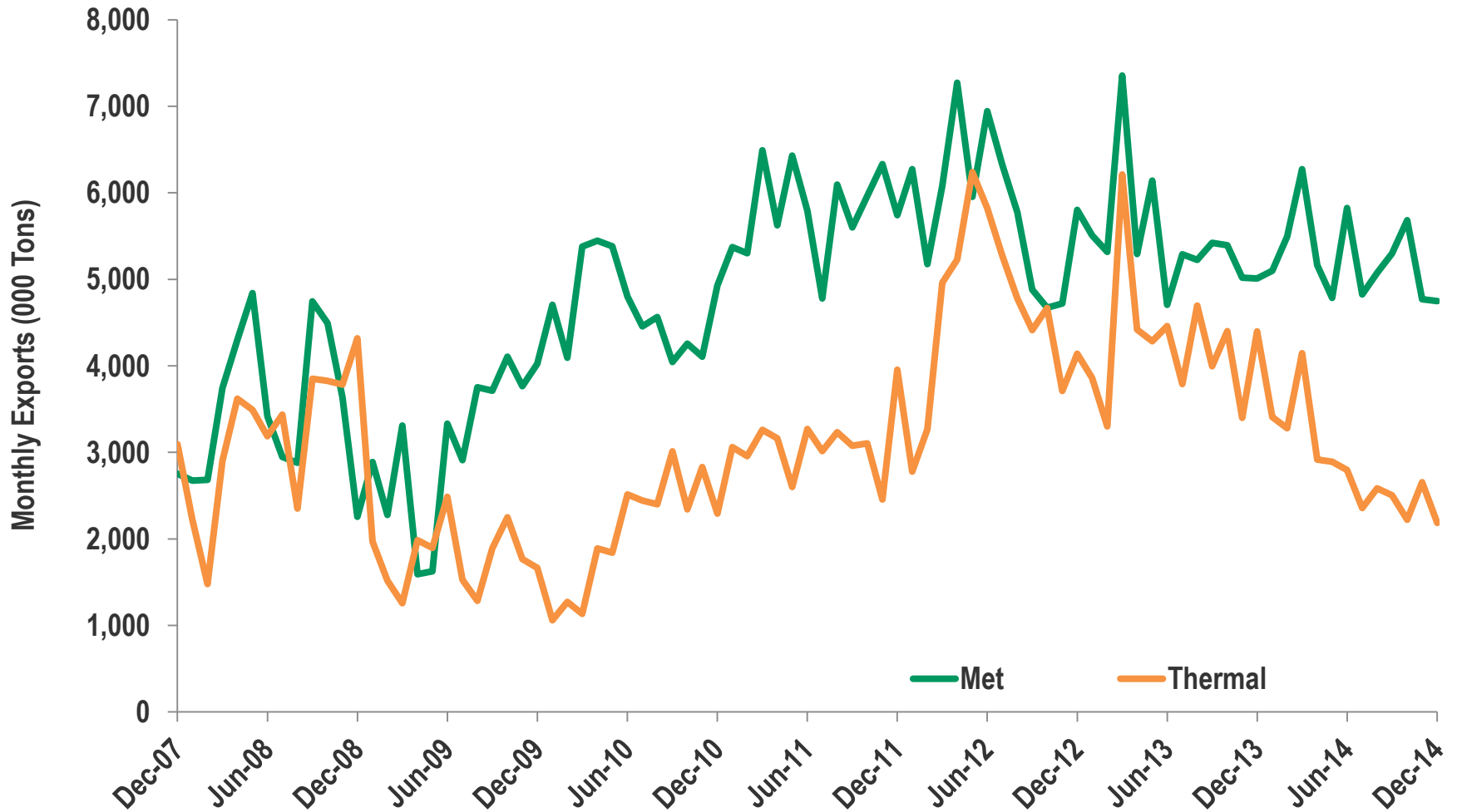
2012: 5.526 Billion Tons Coal Equivalent (tce)



2019: 6.462 Billion Tons Coal Equivalent (tce)

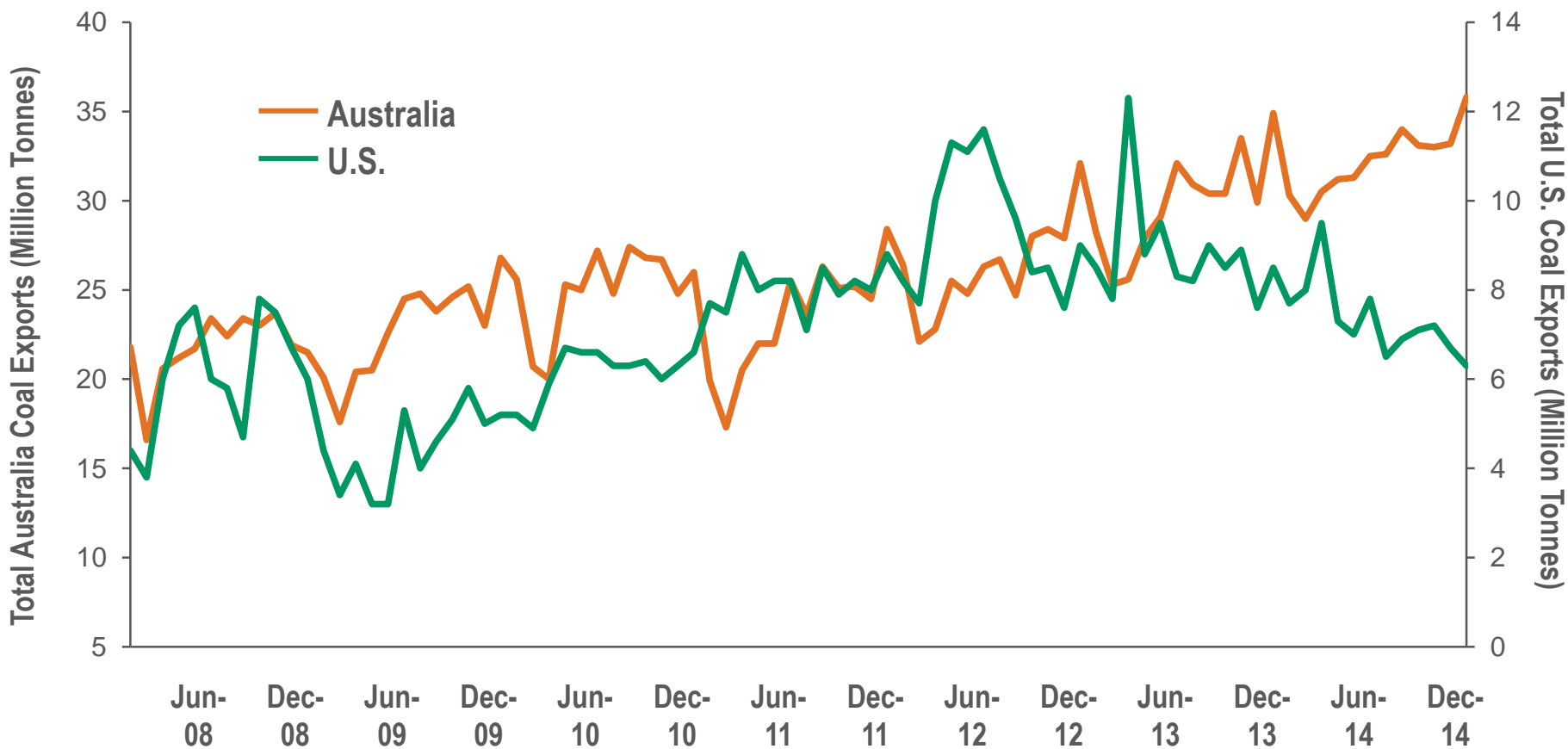


U.S. Coal Exports



SOURCE: Energy Information Administration (EIA); National Mining Association (NMA), U.S.Census, Alpha Research

Exports from Australia and the U.S.

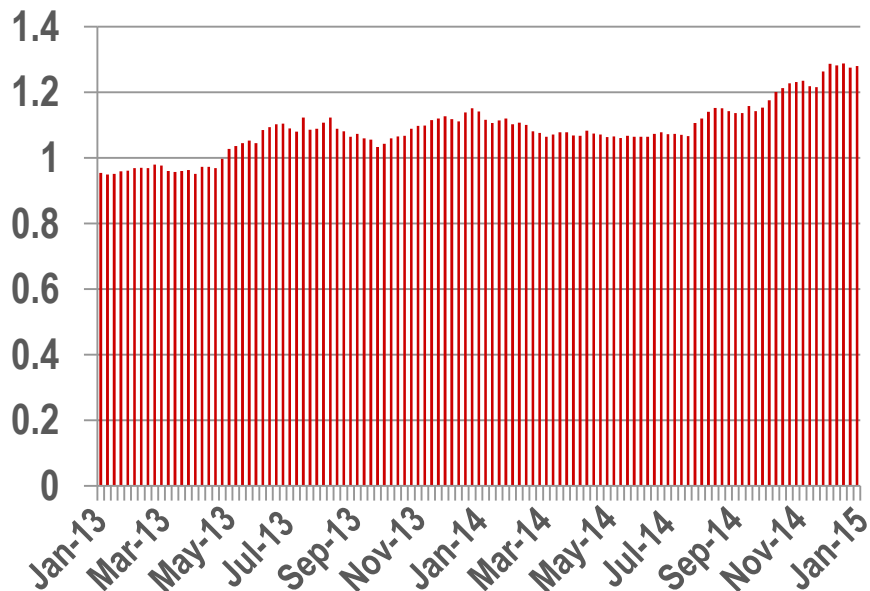


Strength of the Dollar

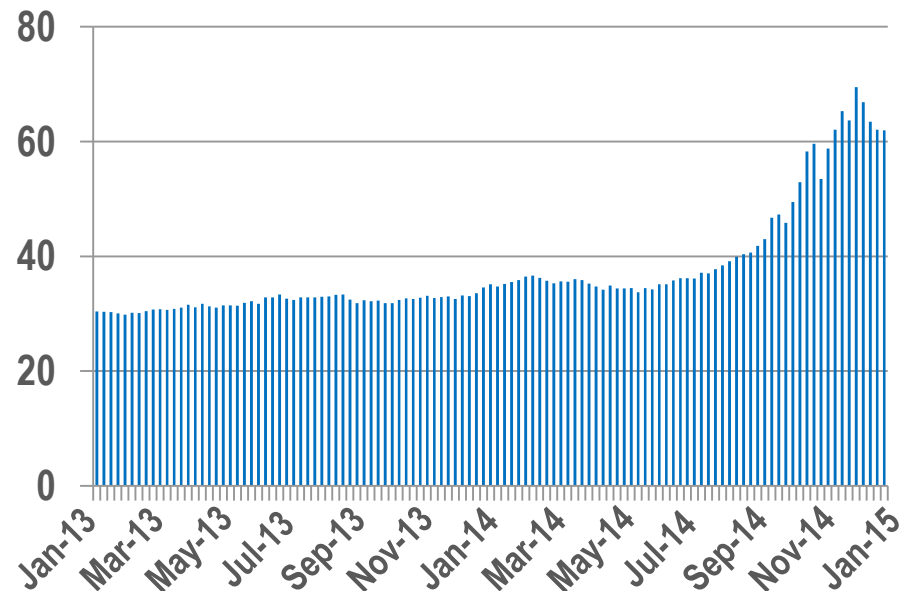
The strength of the U.S. Dollar against other currencies like the Russian Ruble and the Australian Dollar continues to present competitive challenges for U.S. coal producers.



USDAUD



USDRUB



SOURCE: Bloomberg

In Summary

The IEA and others predict that coal will continue to be a growth fuel over the next 25 years, but a number of factors are culminating to create challenges in the near term for U.S. coal producers.

Basin Shifting in the U.S.

- Central Appalachia expected to take the most significant hit
- Increase in PRB, NAPP and Illinois Basin production

Export Demand and Pricing

- Market oversupply, especially from Australian coal
- Strength of the U.S. Dollar compared with other currencies

Impact of U.S. Regulation

- Nearly one-fourth of coal-fired power fleet retiring or converting
- EPA's proposed Clean Power Plan to be finalized this year

LOOKING FOR CHEAP, RISK-FREE,
ALL-NATURAL, ABUNDANT ENERGY?



START
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