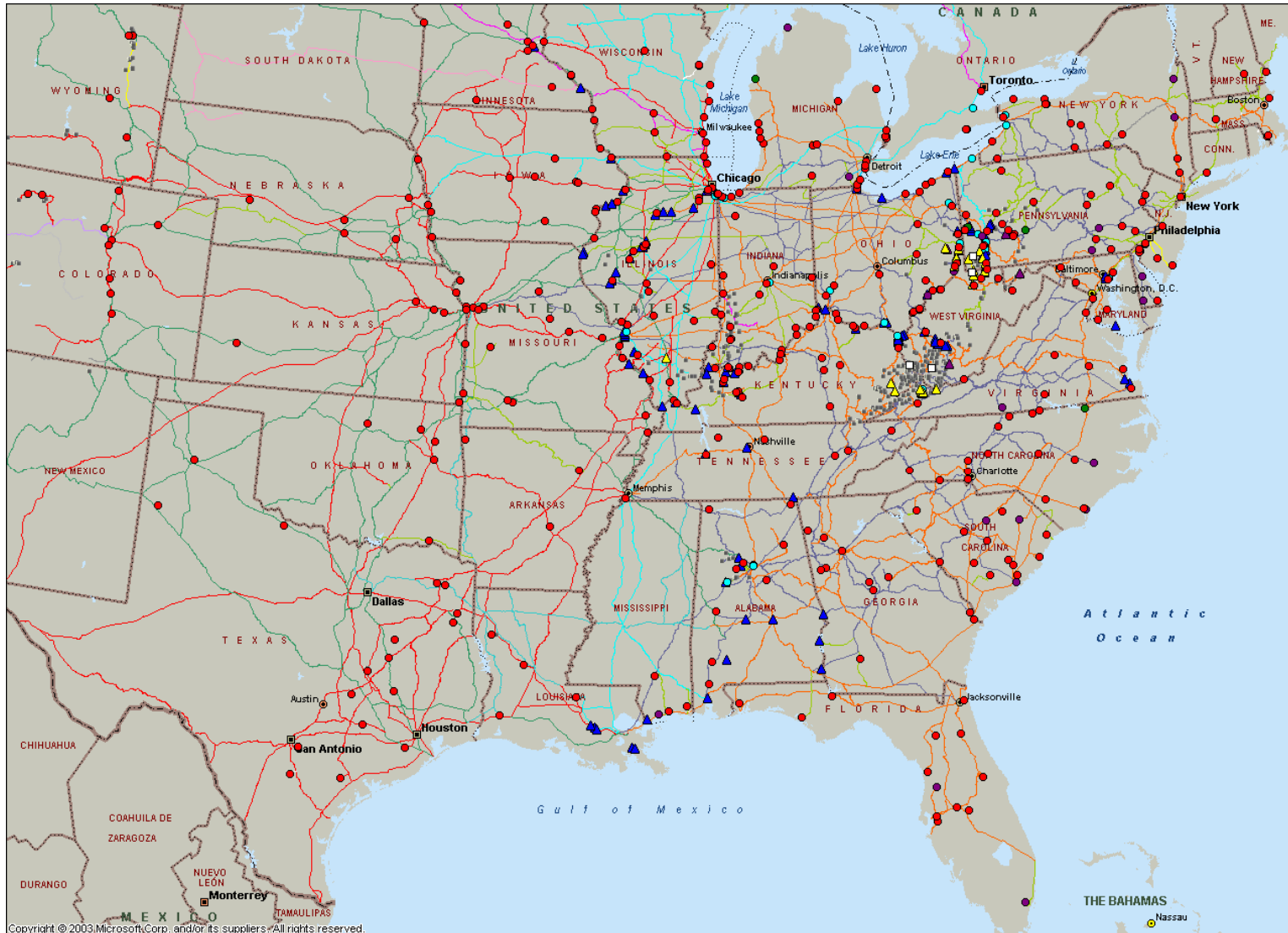


Future Coal Transportation Challenges



Eastern Coal Transportation Map – “Not the PRB”



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Coal Transportation Challenges - A Supplier's Perspective



Historic Concerns

- Competitive rates and source differentials
- Consistent carrier service and on-time performance
- Schedule flexibility to match mine and customer needs
- Carrier participation in efficiency projects - batch weigh systems, scales, tracks, etc.
- Carrier, rail, and river system capacity issues and growth plans
- Effective use of private car assets

Future Issues

- Railroad plans to replace aging carrier car fleets or support private car purchases
- Railroad plans to augment service lane capacities to match changing coal flows
- Need to increase average train sizes and average tons-per-car
- Potential impact of increased private car percentage on shipment flexibility
- Gaining customer commitments that allow for needed capital enticement
- Ability to match “limited and ratable carrier capacity” with dynamic mine and customer schedules
- River system infrastructure decay and outage concerns
- Barge carrier capacity constraints and growth plans given scrubber raw materials growth
- Fuel surcharge volatility and “non-negotiable” status
- Lack of minimum carrier service guarantees in many movements
- Competition of other railroad product groups on available “coal business unit” resources and capital
- Conflict of the old “free options / no commitments paradigm” and the new “limited capacity paradigm”

Coal Transportation Challenges - Another Supplier's Perspective



Historic Concerns

- Will railroad management fund future expansion at the rate the market required (equipment, resources)
- Condition of the barging fleets
- Export / Met market volatility and impacts on transportation
- OTC / NYMEX impact on market and transportation
- Rail to river permit allocation process to Huntington area terminals on the CSX

Future Issues

- Corps of Engineers budget and funding for lock and dam maintenance and improvement
- Condition of barge fleets
- Increased membership and participation in the Eastern L&P by other producers and utilities
- Increased volumes of western coal moving east and resulting congestion (railroads, barges, docks, locks)
- Creation and acceptance of a universal NCTA web based scheduling system on a common platform
- Increased coal transportation costs and the resulting impact on coal's competitive advantage

Coal Transportation Challenges - A Customer's Perspective



Historic Concerns

- Railroad service, both local and over-the-road
- Variation in plant consumption

Future Issues

- Railroad capacity (crews, locomotives, track)
- Lake vessel capacity
- Volatility in coal markets
- Hauling coal from mines that have to load short trains
- Availability of coal that our plants can effectively burn
- The impact of limestone movements for scrubbers adding to the railroad congestion
- Mine reliability
- Coal-fired power plants running at a higher capacity factor, or increased coal demand



Questions

- Is there an “insufficient” reserve margin at present
- Is the current coal business level “Easter Sunday”
- If not, what coal movements will grow and which ones will shrink or stay the same (by how much)
- Need for clear forecasts and commitments – who will show their cards
- Long lead times / High capital requirements / Need for commitments (“If you come, we will build it”)
- What is the impact of coal shifts on car miles and resulting capacity
- Choke point elimination – where are the choke points and what can be done
- System cars versus private cars – who will invest and what is the impact on system fluidity
- The future of commercial commitments – impact on “free optionality”
- How will the railroads balance the “open enterprise” requirement with the need for commitments
- **Bottom line:** If this is the peak, then an uncoordinated approach may not hurt us. If it is not the peak, then a failure to act decisively and in a coordinated fashion may cause business growth to be limited