

NATIONAL COAL TRANSPORTATION ASSOCIATION

PRESIDENT'S REPORT TO THE MEMBERSHIP FOR THE PERIOD SEPTEMBER 13, 2006 TO SEPTEMBER 11, 2007

OVERVIEW

The NCTA Fall Conference is aptly themed "*Potpourri*", a reflection of the variety of issues with which the NCTA is currently engaged. The NCTA has been more active than ever over the past year, serving as a clearinghouse of information for members and non-members alike, and facilitating meetings and conferences in support of its mission. The NCTA has a two-fold mission: to provide education for its members and the general public, and to cooperatively resolve challenges and issues in the coal transportation industry. All committees, subcommittees, and conferences are dedicated to these purposes.

Key among the challenges the industry faces are the need to grow the coal transportation infrastructure, finding a viable solution to the ballast fouling issue, and to continue the already significant advances in clean coal technology and combustion efficiency. Coal remains the most economic, most reliable, and most abundant fuel for electric energy in North America.

Membership in the NCTA continued to grow with sixteen new members in 2007 and a total of 144 members. Member participation on various committees remains strong.

The work of the special Ballast Fouling Committee was particularly important over the past year. Action has already been taken to minimize fouling through modified chute designs and the coal consist sizing. Members have made significant voluntary contributions to fund further engineering studies so that any recommendations or additional actions taken will be reasonable and cost effective.

This year's O&M Conference program in Vail provided excellent information on many aspects of coal car design, maintenance, and repair with an emphasis on draft systems. The Eastern Logistics and Planning Committee had two working meetings during the period, in October in St. Louis and in May 2007 in Durham, North Carolina. The Western Logistics and Planning Committee also met twice with well-attended meetings hosted by the BNSF Railway in Ft. Worth and by NCTA in Denver.

Our two general conferences in the spring and fall provide a diversified input from all segments within the coal infrastructure as well as expert and authoritative comments from outside the industry. The NCTA web site at www.nationalcoaltransportation.org continues to grow and is being visited by interested parties around the globe.

The Board of Directors continues to meet in Washington, D.C. each year to visit governmental agencies and other trade associations. In recent years, these meetings have been held during July; however, they have been moved to November this year. The new schedule

allows members to discuss their ideas and concerns with the Executive Director and board members at the Fall Meeting so that they may better relay these concerns in the November sessions. The NCTA maintains a relationship with key personnel and departments within the Department of Energy, the Department of Transportation, the Surface Transportation Board, The Federal Railroad Administration, and with key elected representatives. The NCTA is an educational entity and does not lobby for or against legislation; however, we do actively participate with a position in rulemaking proceedings of interest to our membership.

BUDGET

Through July 31, 2007 the NCTA has recorded revenues in excess of expenses of \$94,631 exceeding the amount budgeted by approximately \$36,000. Membership revenues are on plan. There was a positive variance of \$3,897 in interest income resulting primarily from an increase in the amount of cash in interest bearing accounts and higher interest rates being paid on cash deposits. The balance sheet remains strong with over \$ 501,346.93 in assets.

OPERATIONS AND MAINTENANCE

Art Lewis of American Electric Power continues in his role as Chairman. Members of the O&M Executive Committee include Rich Kotan, Program Chairman, Mike Gray, Golf Committee Chairman, and Mike Johnson, Sgt. of Arms and Carmen Sparks, Site Committee Chair.

This year's Operations & Maintenance Committee conference program in Vail, Colorado provided excellent information on many aspects of coal car design, maintenance, and repair with an emphasis on draft systems.

The O&M Committee adopted guidelines effective June 1, 2007 that detail the purpose and objectives of the committee as well as its structure and operation. The guidelines can be downloaded from the NCTA website. O&M members continue to represent the NCTA position to technical groups of the Association of American Railroads. Members of the O&M Committee will address rail issues with the AAR, the Federal Railroad Administration, and others during meetings scheduled in Washington D.C. All NCTA working groups have joint railroad, rail supplier and utility participation. The O&M committee continues to work with the railroads to improve the quality and efficiency of member car fleets and has taken a proactive lead in pushing for rules and regulations that are fair and equitable for private car owners as well as railroads.

LOGISTICS AND PLANNING COMMITTEES

Bob Sarvela of Midwest Energy continued as the chairperson of the Western L&P Committee. The winter meeting was hosted by the BNSF Railway in Ft. Worth. The summer meeting was held at the end of July in Denver, hosted by NCTA. The WL&P Coal Forecasting Sub-team's recommended revisions to the Joint Line monthly coal forecasting process went into effect in April 2007. The Joint Line - Southern Powder River Basin Coal Forecasting Process ("Process") is available for download on the NCTA website. The group continues to work to maximize the movement of coal throughout the system by developing more effective scheduling procedures and increasing communication of relevant data to all segments of the industry that have critical input to transportation planning and scheduling.

The Rapid Response Team remained on task this year with Ron Hankins of MidAmerican Energy as Team Leader. The group continues monthly conference calls to monitor the performance and fluidity in the PRB in order to provide an early warning to any impending congestion. This group is composed of carriers, utilities, and coal producers. It is dedicated to providing information and suggestions to the industry to proactively address train congestion and restore fluidity in the basin. It is important to remember that success in this effort benefits all segments of the industry.

The Eastern L&P Committee led by Larry Rose of Detroit Edison, met twice in fiscal 2006/7. Meetings for this year were in hosted by Arch Coal in St. Louis and by NCTA in Durham, North Carolina. The Durham session utilized an interactive wireless audience response system which allowed attendees to anonymously weigh in on a variety of issues using numeric keypads. The responses were gathered, the data was instantly analyzed, and the results formed the basis for a focused discussion while maintaining the confidentiality of individual organizations. This was the first time the NCTA has tried this in any of its meetings and by all indications, it was a success. The Eastern L&P group is the newest NCTA working committees and it continues to evolve as participation increases and the parties define the best way to maximize its effectiveness.

EDUCATION

Greg Henshaw of Southern Company continues to serve as Chairman of the Education Committee. In September of 2006, four scholarships were awarded to students who are children of employees of NCTA member companies. In addition scholarships were awarded to one student at both the University of Wyoming and the University of Arizona. In addition to these schools, final arrangements are being made to add an annual scholarship at Penn State and at the Colorado School of Mines. The NCTA is rewarded through its association with these young achievers. Members such as Emily Regis and Greg Henshaw have volunteered to represent NCTA at convocations when the NCTA scholarships are awarded and we encourage other members to do so as well.

OTHER ACTIVITIES

The NCTA has actively represented its membership over the past year through participation in Surface Transportation Board proceedings. NCTA provided written comments and oral testimony in Ex Parte No. 671, Rail Capacity and Infrastructure Requirements. Executive Director Tom Canter also attended the Ex Parte 672 (Rail Transportation of Resources Critical to the Nation's Energy Supply) hearing in Kansas City and filed a written response in this proceeding.

The *Coal Transporter* magazine continues to evolve with two issues published in the reporting period. The magazine is developing a broad readership is serving the educational mission of the Association. Members have been very supportive through their editorial contributions, advertising, and feedback.

SUMMARY

NCTA remains in satisfactory financial condition with a prudent level of financial reserve. Our dues structure is set such that successful attendance and revenue from the general conferences are necessary to maintaining this financial strength. Membership dues alone will not cover our increased level of participation in activities important to our membership.

NCTA continues to have a high level of national prominence and credibility by participating in hearings, workshops, symposiums, coordinating with ad hoc coalitions, providing resource material for governmental agencies, negotiating and educating on issues of general membership concern with carriers, and sponsoring general conferences featuring prominent speakers. The expanded visibility of the association through its web site and the *Coal Transporter* has increased membership and interest in the organization. An important source of strength is our working committee system that is made possible by the dedication and expertise of our member representatives and the cooperation and participation of the carriers. We are positioned to provide leadership on the many issues affecting our industry.

It has been my pleasure to serve as your President and Chairman of the Board of Directors over the past year. I wish to thank the Board and membership for their support, ideas, and dedication of time to make the past year successful.

Respectfully submitted,

Bryan Bashore
President
National Coal Transportation Association