

NATIONAL COAL TRANSPORTATION ASSOCIATION

PRESIDENT'S REPORT TO THE MEMBERSHIP FOR THE PERIOD SEPTEMBER 12, 2007 TO SEPTEMBER 9, 2008

OVERVIEW

The NCTA Fall Conference is themed “*Connecting the Dots*”, a desire that politicians will do just that and avoid unintended consequences when making energy policy. The NCTA has been very active 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 maintain the coal transportation infrastructure to meet growth, to find a viable solution to the ballast fouling issue, to participate in a reasoned debate on energy policy 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 eight new members in 2008 and a total of 154 members. Member participation on various committees remains strong.

The work of the special Ballast Fouling Committee was particularly important over the past year. The study is currently in the testing phase with both static and over the road testing protocols in place. A final report on the engineering study is expected before year end.

This year's O&M Conference program in Bay Harbor provided excellent information on many aspects of coal car design, maintenance, and repair with an emphasis on car design. The Eastern Logistics and Planning Committee had two working meetings during the period, in Charleston, West Virginia and in Atlanta, Georgia. The Western Logistics and Planning Committee also met twice with well-attended meetings in Dallas and in Omaha.

Our two general conferences in the spring and fall provide a broad overview of the coal and transportation market with input that is sometimes controversial but always interesting. The NCTA endeavors to hear from all segments within the coal infrastructure as well as expert and authoritative comments from outside the industry. The Spring Conference in Colorado Springs set a new attendance record for this annual event. The NCTA web site at www.nationalcoaltransportation.org continues to grow and is being visited by interested parties around the globe.

Members of the Board of Directors and Operations and Maintenance Executive Committee met in Washington, D.C. twice during the period, once in November 2007 and in

July of 2008. The groups visit governmental agencies and other trade associations to get the latest information on political and regulatory initiatives while offering insight into the real world concerns and issues of NCTA members. 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, 2008 the NCTA has recorded revenues in excess of expenses of \$76,660 exceeding the amount budgeted by approximately \$1,300. Membership revenues are below plan as there are significant 2008 dues outstanding. We hope to receive payments over the next 30 days. Current projects show that the Association will be on budget for the remainder of 2008. The balance sheet remains strong with over \$590,000 in assets net of engineering study funds.

OPERATIONS AND MAINTENANCE

Art Lewis of American Electric Power continues in his role as Chairman. The Executive Committee was expanded this year to a total of ten members. Members of the O&M Executive Committee include John Casto, Vice-Chairman, Rich Kotan, Program Chairman, Mike Gray, Golf Committee Chairman, and Mike Johnson, Sgt. of Arms and Carmen Sparks, Site Committee Chair, Dennis Wanless, Ken Henman, Gayle TenBrink and Harry Mullins.

This year's Operations & Maintenance Committee conference program in Bay Harbor, Michigan provided excellent information on many aspects of coal car design, maintenance, and repair. Of particular interest to attendees was the real world operating experience with the first ECP equipped trains in service.

O&M members continue to represent the NCTA position to technical groups of the Association of American Railroads. Members of the O&M Committee met with the AAR and the Federal Railroad Administration in Washington D.C. focusing on issues of importance to NCTA private car owners. 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 TrinityRail in Dallas. The summer meeting was held at the end of July in Omaha, hosted by the Union Pacific Railroad. 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.

There were several changes in the Rapid Response Team this year with Ron Hankins of MidAmerican Energy as Team Leader. The group discontinued monthly conference calls but continued to accumulate and disseminate monthly loading and forecasting data. This group, composed of carriers, utilities, and coal producers, also meets prior to the semi-annual L&P meetings. The RRT is prepared to call conferences on an ad hoc basis to proactively address train congestion and restore fluidity in the basin. 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 the period. Meetings for this year were in hosted by Peabody in Charleston, West Virginia and by TrinityRail in Atlanta, Georgia. Interest and participation in the Eastern L&P continues to grow with over 40 people participating in the Atlanta meeting. The Eastern L&P focuses on process improvement success stories, rail and water issues, and uses the Audience Response System to keep the dialog going. The next Eastern L&P meeting will be October 30, 2008 in Lexington, Kentucky.

EDUCATION

Greg Henshaw of Southern Company continues to serve as Chairman of the Education Committee. In September of 2007, 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. The NCTA is rewarded through its association with these young achievers. A campaign to increase awareness within member companies of the at-large scholarships resulted in the receipt of almost 350 applications for 2008. The NCTA is considering the establishment of an endowment to fund future scholarship awards.

OTHER ACTIVITIES

The opinions and perspectives of the NCTA are increasingly sought out by other industry groups as evidences by the numerous speaking engagement requests received by Executive Director Tom Canter. Mr. Canter spoke to four groups during the period including the World Trade & Transport Conference in New Orleans, Louisiana, PRB Users Group in Baltimore, Maryland, The North American Rail Shippers Association in San Francisco, California, and Coal USA in New York, New York.

The *Coal Transporter* magazine continues to evolve with one issue published in the reporting period and a new issue due out next month. The Association has taken the step to self publish future issues of the magazine, providing a better degree of quality control and maximizing the direct benefit to the association of the contributions of its members in terms of both editorial content and advertising. The magazine is developing a broad readership is serving the educational mission of the Association. We appreciate the support of members through the transition period.

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. We are also grateful for the generosity of our members in directly sponsoring meetings and activities throughout the year. 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,

Robert Neff
President
National Coal Transportation Association