



Mining the Past...Powering the Future

Surface Transportation Board – Rail Energy Transportation Advisory Committee Meeting

Eastern Coal Producer Discussion

March 6, 2008





FORWARD-LOOKING STATEMENTS AND RECONCILIATION OF NON-GAAP MEASURES

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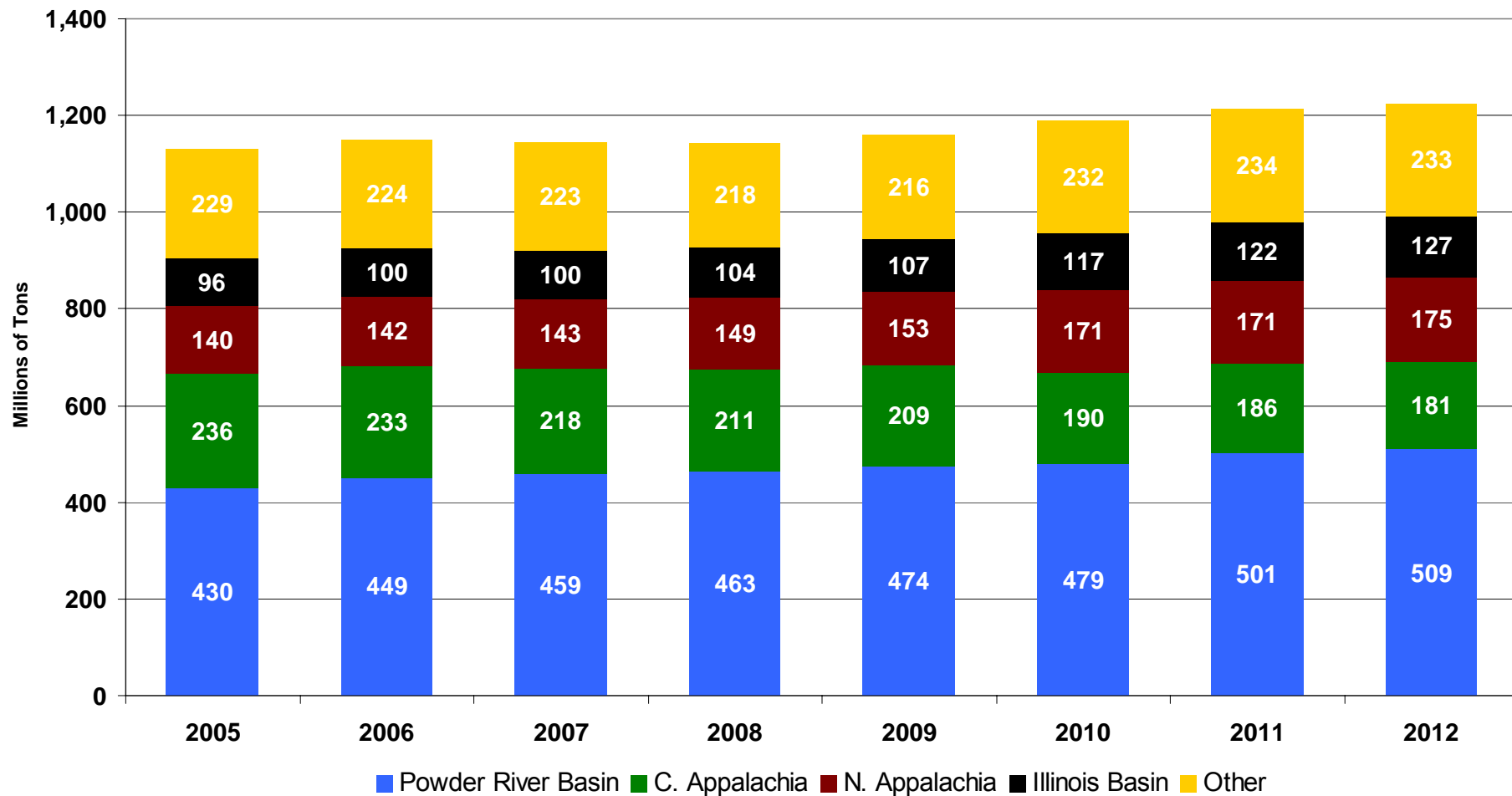
Also, this presentation contains certain financial measures, such as EBITDA. As required by Securities and Exchange Commission Regulation G, reconciliations of these measures to figures reported in Foundation Coal’s consolidated financial statements are provided in the company’s annual and quarterly earnings releases.



- U.S. coal production trends
- Coal market dynamics – near and longer term
- Challenges to coal supply and expansion
- Coal supply chain planning and needs



U.S. Historical & Forecasted Coal Production



Source: EIA (AEO 2007)



Eastern U.S. Coal Market Dynamics

■ **Current market**

- Fairly normal domestic coal demand and inventories
- Increasing global demand for export coal due to Asian needs, supply constraints, and weak US dollar

■ **Mid term market**

- Eastern utility plant scrubber builds projected to cause shifts in demand, positively impacting Northern Appalachia and IL Basin. Majority of this will occur in the 2008 - 2012 period.

■ **Long term market**

- Demand increases relating to increased electricity generation, and the potential for additional exports and coal-to-liquids



Challenges to Coal Supply and Expansion

- **Regulatory challenges**
 - Permits - underground, surface, and refuse
 - Safety and Compliance
- **Significantly increasing operating costs at existing mines and capital costs for new mines**
- **Labor availability**
- **Impact of regional greenhouse gas reduction initiatives and potential federal legislation**
- **Limitations in rail and port/terminal capacity**



Coal Supply Chain Planning

- **Domestic customers typically procure coal and transportation separately.**
 - **Forecasting/scheduling aligned with commercial relationships**
 - Customers $\leftarrow \rightarrow$ Railroads
 - Customers $\leftarrow \rightarrow$ Producers
 - **Supplemented by**
 - Producers $\leftarrow \rightarrow$ Railroads

- **Export customers often procure coal FOB Vessel at the port, so producers arrange rail transportation and terminal services.**



- **Advance communication of best-available forecasts (annual, monthly, etc.) and barriers to achievement**
- **Carrier flexibility in scheduling to encompass mine and customer needs**
- **Consistent processes for permitting trains**
- **Known and consistent processes for handling exceptions**
- **Reliable carrier performance**
 - Effective allocation/management of crews, locomotives, and railcars
 - Accurate ETAs, and timely communications when things change



Strategic Planning Needs

- **Carrier commitment to increase capacity to handle growth and match changing coal flows**
- **Carrier participation in efficiency improvement projects (tracks, scales, railcars, loading and unloading, etc.)**

Need for clarity and certainty to facilitate the fulfillment of these needs!



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