Utility Segment Update

OCTOBER 1, 2015, STB RETAC MEETING
Overview

- September 2015 Utility Industry Survey Results
- Summary of Observations from Survey
- Utility Industry Drivers
- Implications to Utility Industry
Utility Industry Survey

Special Thanks to:

National Coal Transportation Association

For conducting the Utility Segment survey and compiling the data
Region the majority of your coal-fired generation located

1. West
2. Midwest
3. South
4. Southeast
5. Northeast
2015 YTD actual coal-fired generation is...

1. Above forecast
2. Similar to forecast
3. Below forecast
2015 YY actual coal-fired generation is...

1. Above 2014
2. Similar to 2014
3. Below 2014
2015 current coal inventory (average days of burn on hand for generators that run all year)

1. >70
2. 50 – 70
3. 30 – 50
4. <30
2015 YY current coal inventory is...

1. Above 2014
2. Similar to 2014
3. Below 2014
2015 YTD actual rail deliveries are...

1. Above forecast
2. Similar to forecast
3. Below forecast
2015 YY actual rail deliveries are...

1. Above 2014
2. Similar to 2014
3. Below 2014
2015 rail cycle times are...

1. Faster than 2014
2. Similar to 2014
3. Slower than 2014
Are you currently storing railsets?

1. Yes
2. No
Survey Observations

- Generation from coal
  ◦ Over 2/3 of respondents report as less than both forecast and 2014 levels (71%)

- Coal Inventory
  ◦ Wide variation in reported inventory (measured in “days on hand”)
  ◦ Nearly 2/3 report inventory levels above 2014

- Rail Deliveries
  ◦ Over half report deliveries close to forecast while 41% report deliveries are above
  ◦ Wide variation in reported 2015 coal deliveries vs. 2014 levels
  ◦ Nearly 2/3 of the respondents report they are storing unutilized rail cars
Utility Industry Drivers

- Natural Gas Prices

*Henry Hub Natural Gas Spot Price*

[Graph showing the price of natural gas from 1998 to 2014, with peaks and troughs indicating volatility.]
Utility Industry Drivers
-Dynamics in the power generation mix

U.S. net electricity generation, selected fuels (2010-16)
percent of total

coal
natural gas

projection
Utility Industry Drivers
-Volatile coal plant capacity/utilization factors
Conclusion

-Demand is down driven mainly by competition from natural gas

-Coal playing less of a “baseload” role and serving a larger “intermediate” dispatch role

-“Ratable Delivery” can be a challenge in this environment

-Need for a flexible delivery system that can rapidly respond to dynamic demand for coal (coal vs. natural gas economics)
Discussion, Questions, and Comments