Utility Segment Update

SEPTEMBER 22, 2016, STB RETAC MEETING

Overview

-Compare 2015 and 2016 Utility Industry Survey Results

-Summary of Observations from Survey

-Aging Coal Fleet

Utility Industry Survey

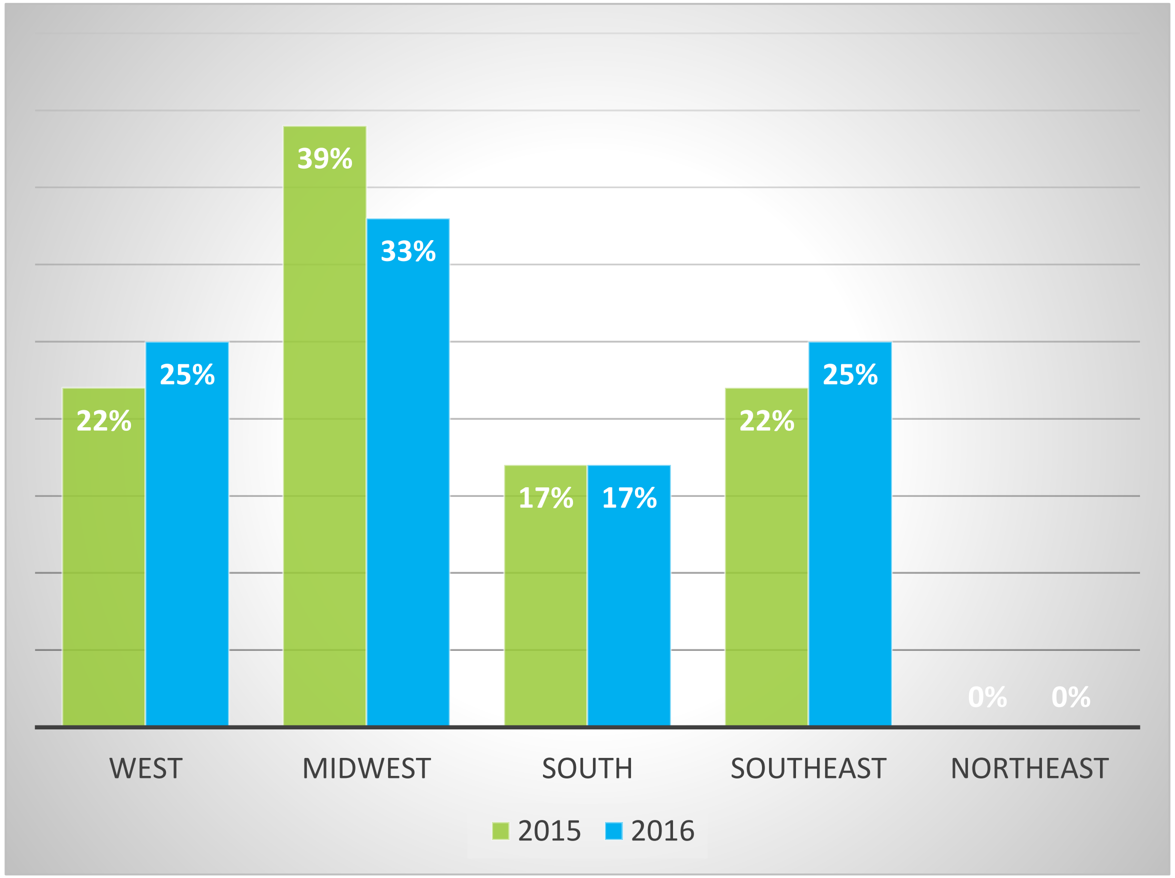
Special Thanks to:

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

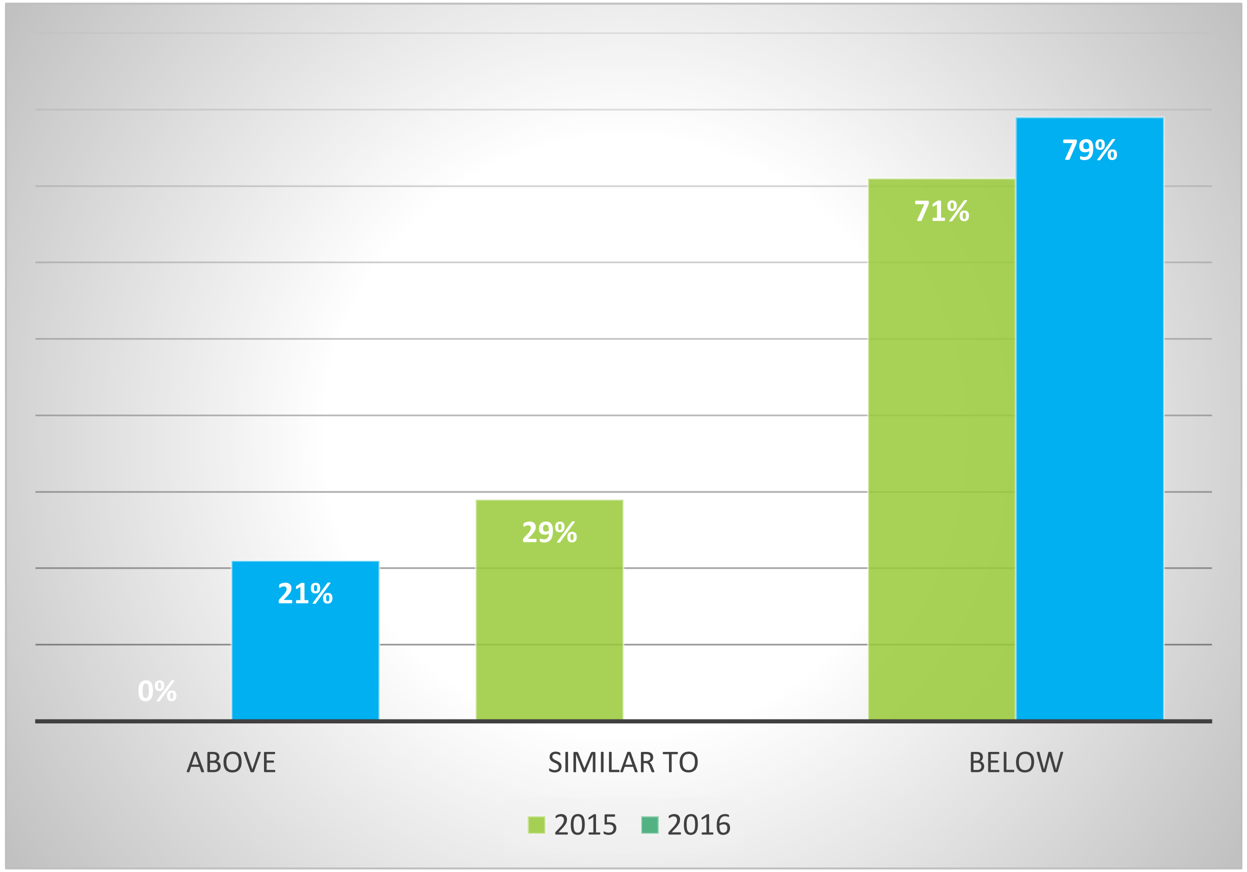


Year-to-Date results

2016 VERSUS 2015

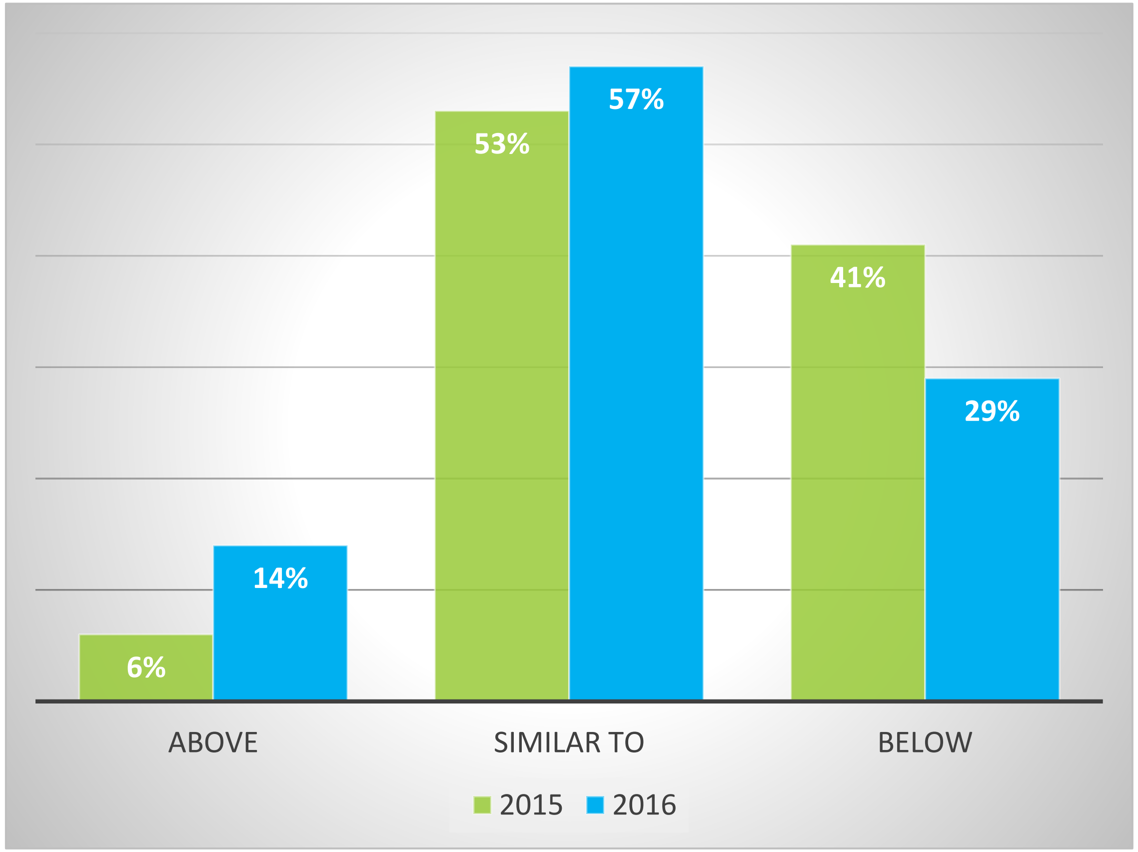
YTD actual coal-fired generation is…

1. Above forecast
2. Similar to forecast
3. Below forecast



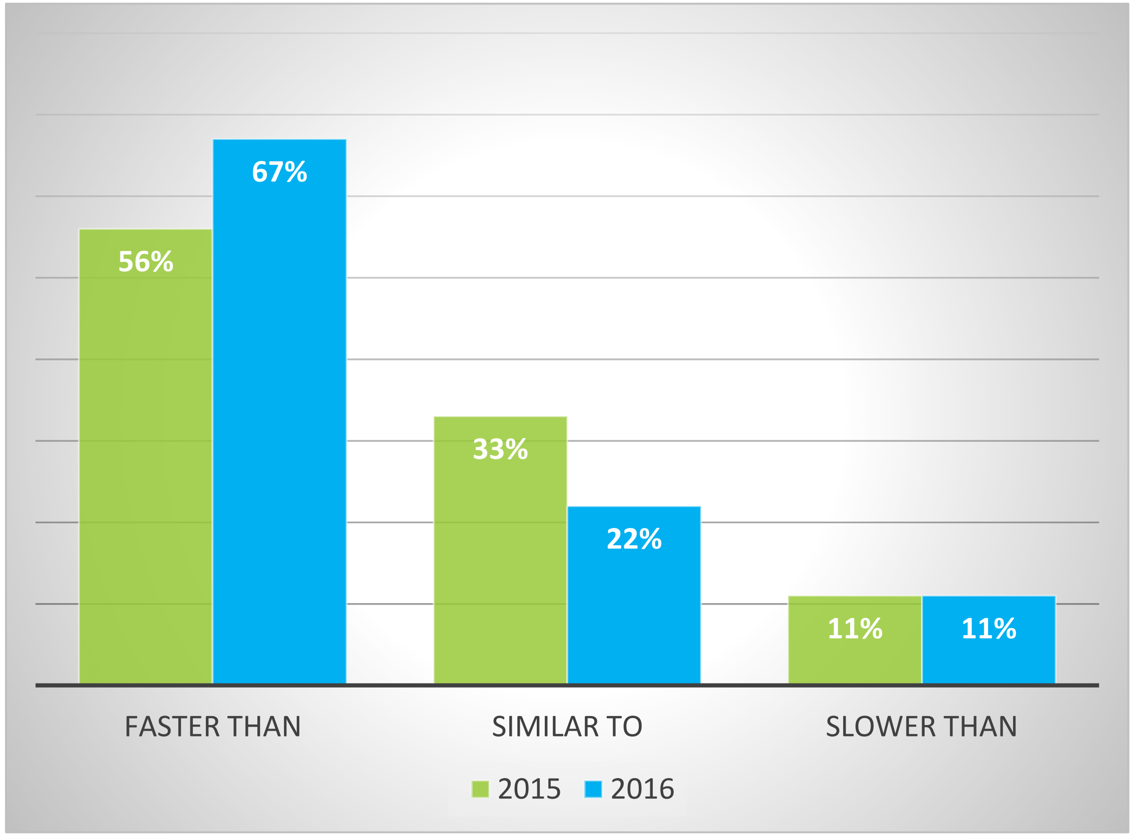
YTD actual rail deliveries are…

1. Above forecast
2. Similar to forecast
3. Below forecast



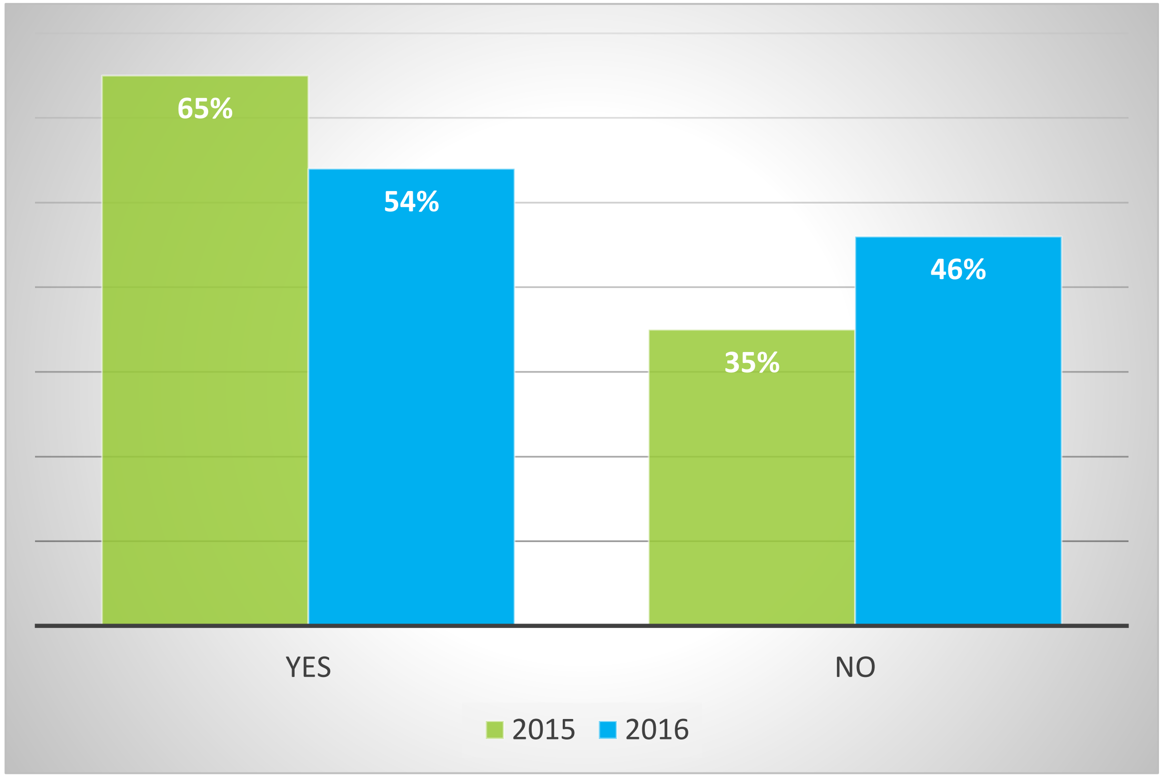
Rail cycle times are…

1. Faster than previous year
2. Similar to previous year
3. Slower than previous year



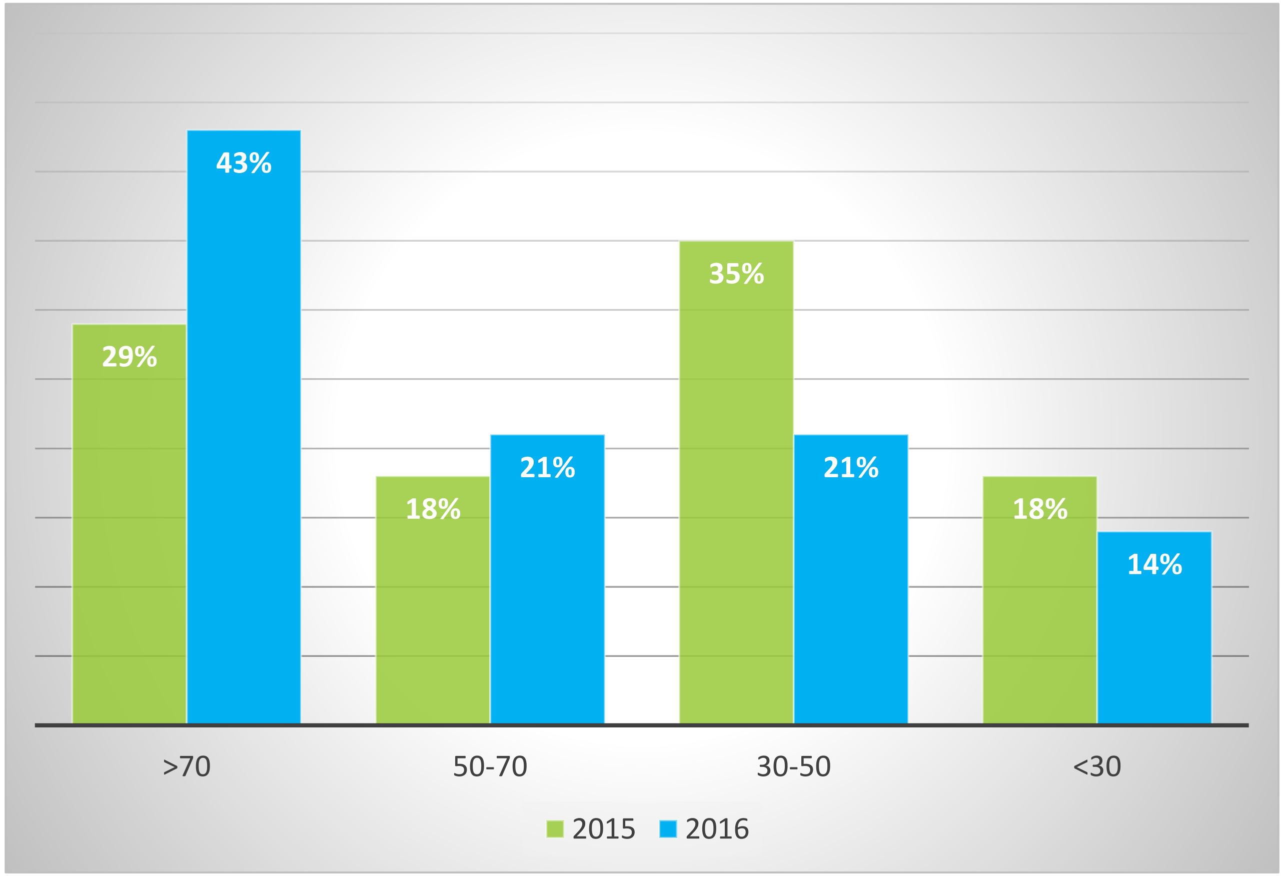
Are you currently storing railsets?

1. Yes
2. No



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



Survey Observations

-Generation from coal

- Over 70% of generators are consuming less coal in the last two years than forecasted

-Rail Deliveries

- Slightly more coal being delivered in 2016
  - Less sets being stored
- Faster cycle times

-Coal Inventory

- Over 60% generators have at least 50 days on hand
  - Near 40% increase from a year ago

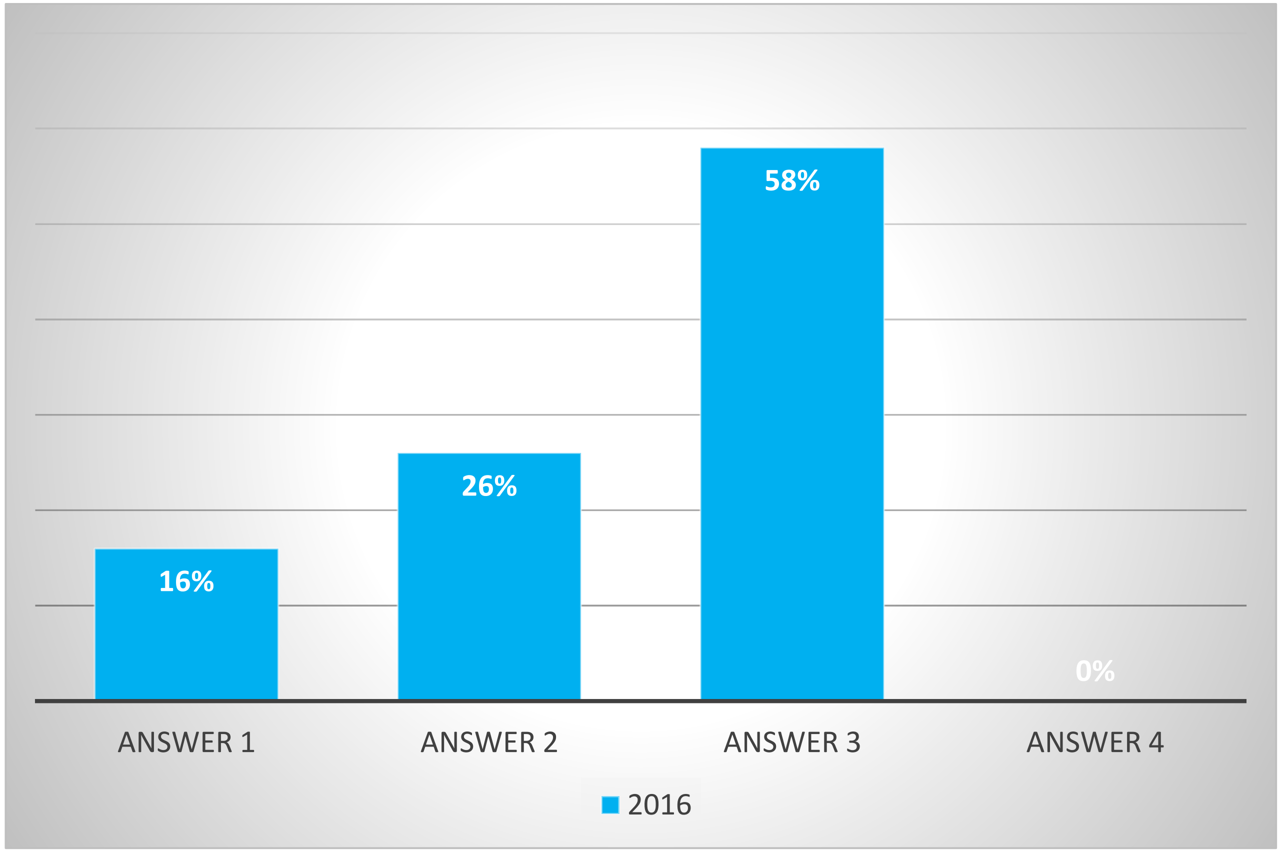
The need for more flexibility will ultimately…

1. Drive the market to include more flexibility in long term supply and transportation agreements

2. Drive utilities to short term Agreements and/or spot purchases

3. Both in equal measure

4. Neither



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

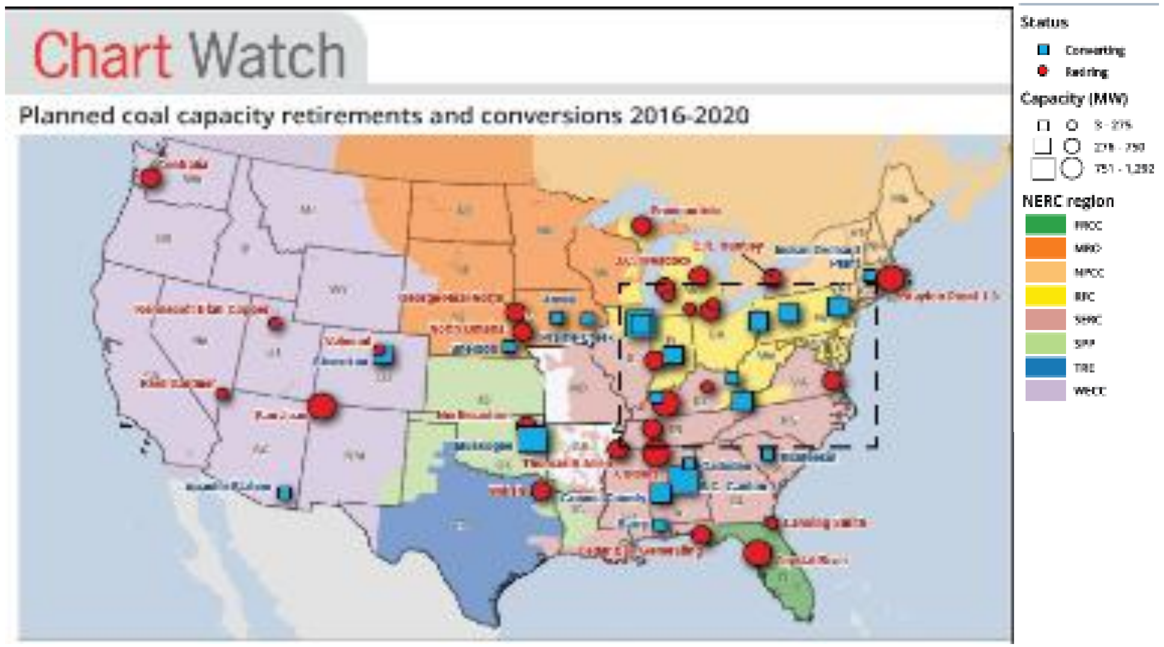
-“Ratable Delivery” can be a challenge in this environment

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

Aging Coal Fleet

Aging coal fleet

- Major driver in coal retirements 2015-2020
  - 14 GW of coal-fired plants went offline in 2015
- 2016 retirement coal capacity
  - PJM 477 MW
  - MISO 2.2 GW
- By 2020, some 65 GW of plants will be 50 years or older



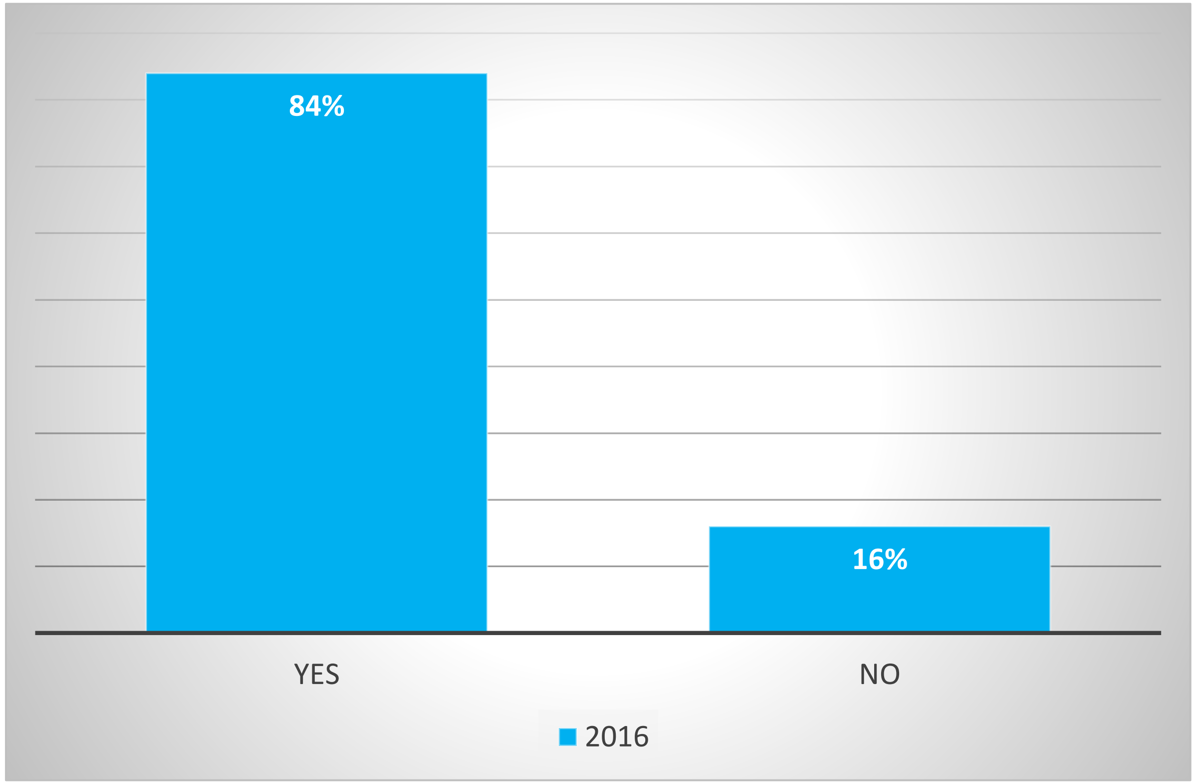
Source: SNL "Experts: Aging coal fleet a major driver in coal retirements 2015-2020", September 8, 2016
SNL "Chart Watch: Coal plant retirements reached zenith in 2015, but more to come", March 7, 2016

Discussion, Questions, and Comments

Additional Data

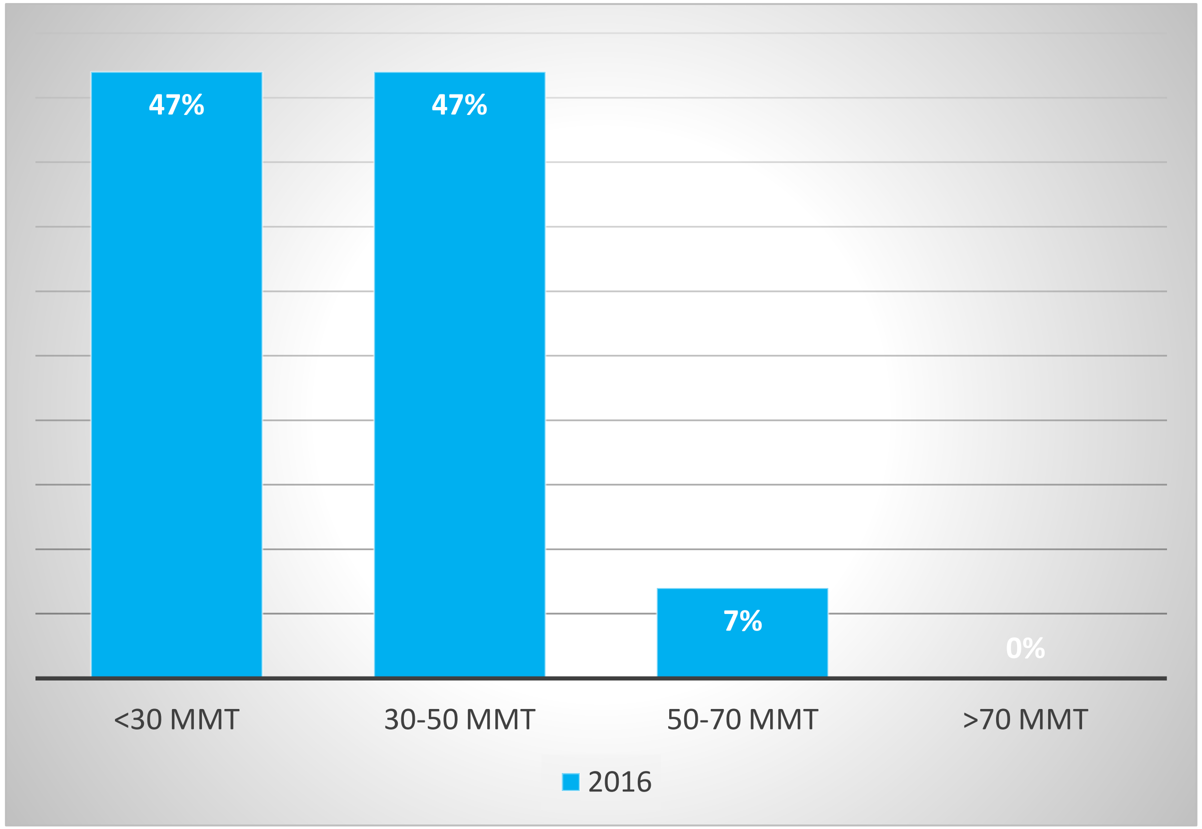
Coal demand is down but isn't 700 MMT of coal still a lot of coal?

1. Yes
2. No



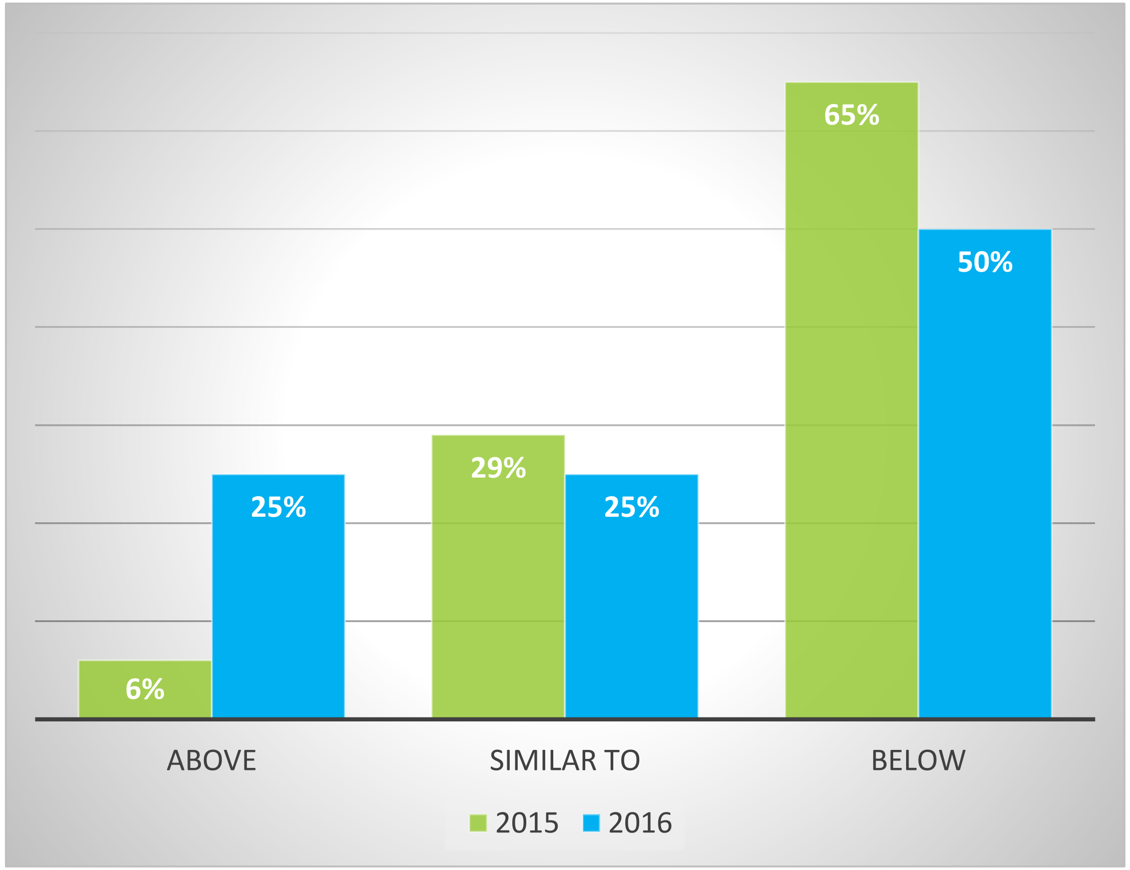
Where do you think the export market will be in the upcoming year?

1. <30 MMT
2. 30-50 MMT
3. 50-70 MMT
4. >70 MMT



YY actual coal-fired generation is…

1. Above previous year
2. Similar to previous year
3. Below previous year



YY actual rail deliveries are…

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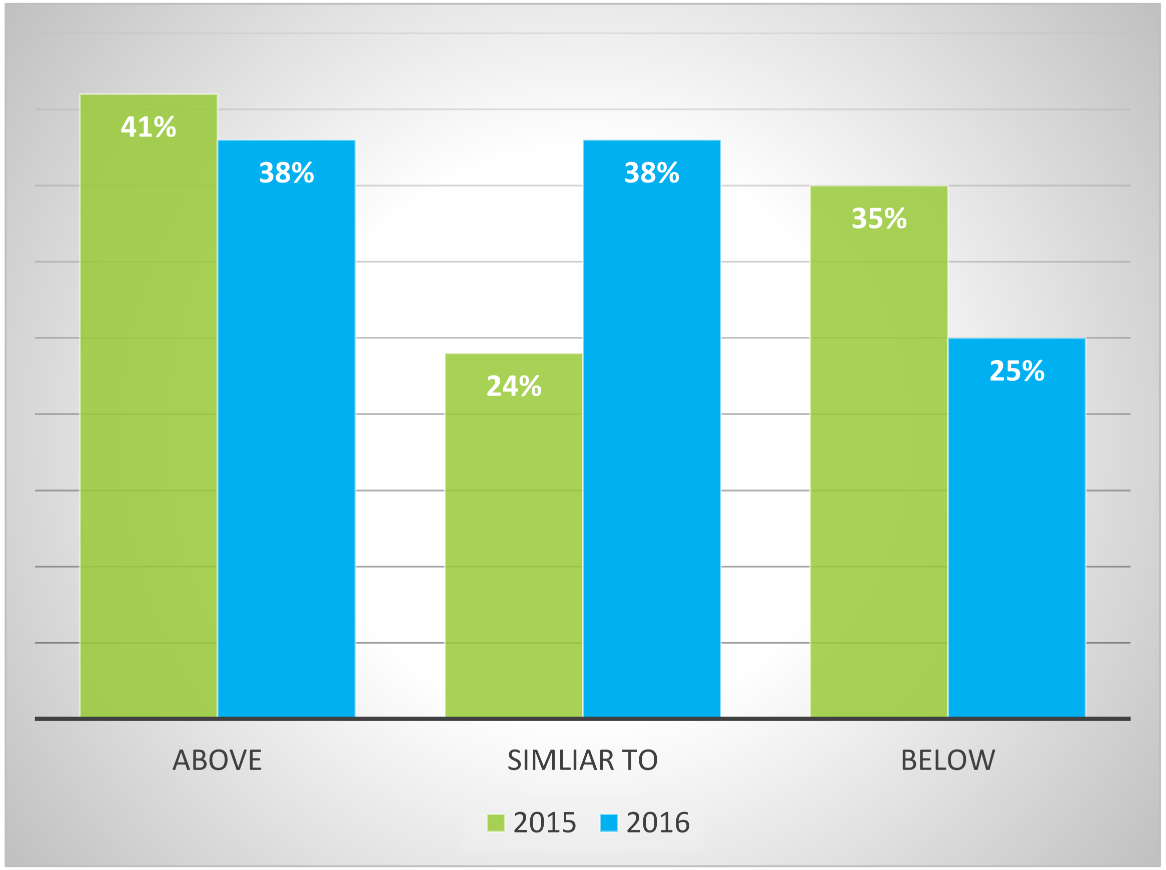

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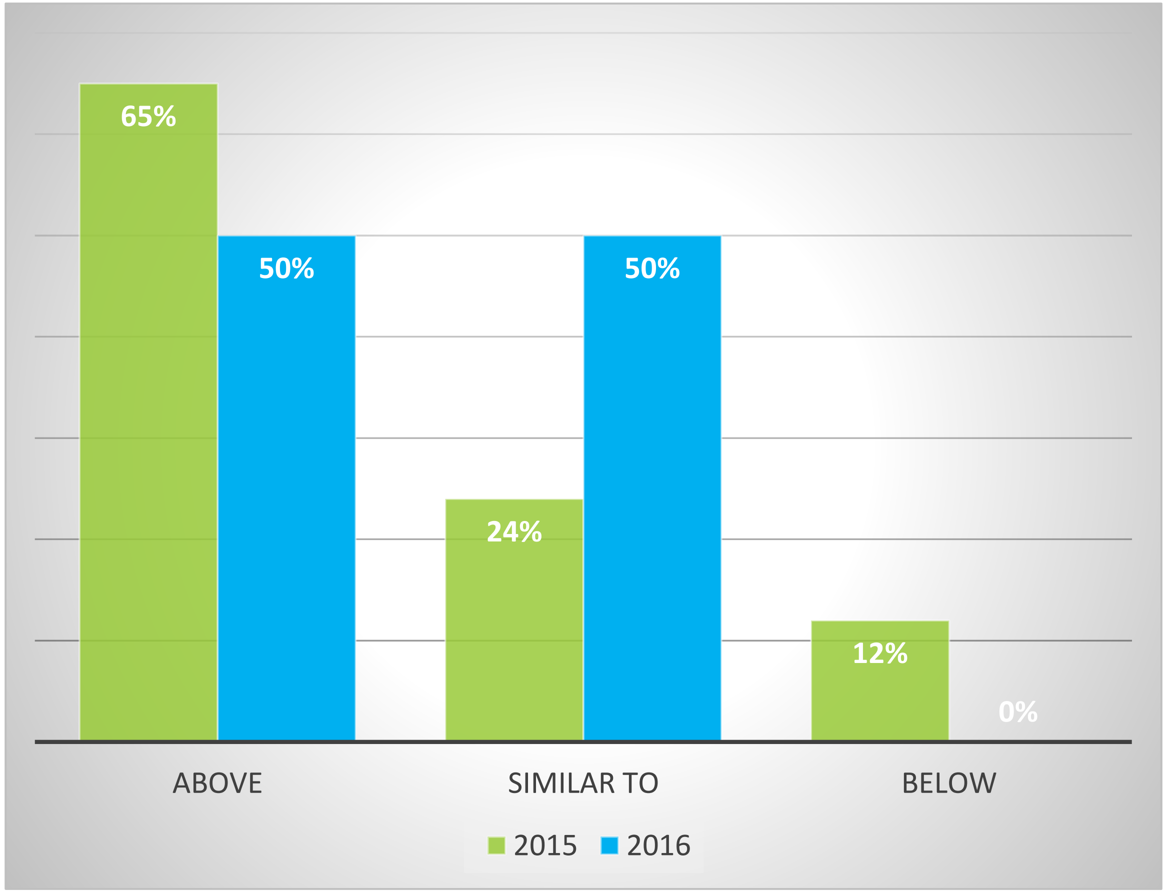

MISO Fuel Mix