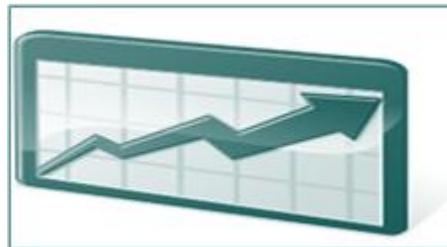


Surface Transportation Board – Rail Energy Transportation Advisory Committee Meeting

Performance Measures Subcommittee
Update



March 4, 2009

Subcommittee members and goal

- **Members**

- Betsy Monseu, Foundation Energy Sales, Subcommittee Chair
- Steve Bobb, BNSF Railway
- Paul Hammes, UP Railroad
- Dan Kuehn, Lower Colorado River Authority
- Darin Selby, Kansas City Southern Railway
- Alan Shaw, Norfolk Southern Railway
- Darrell Wallace, Bunge North America

Susan Arigoni, Chair of Best Practices, has also participated

- **Goal – provide information relative to supply chain metrics**

- (1) To support fact-based RETAC meeting discussions regarding issues relating to the rail transportation of energy resources
- (2) To support efforts of other RETAC subcommittees

Subcommittee recent activities

- **Conference call 1/14/09 – discussion items**
 - EIA data on coal production, consumption, and inventories
 - Rail metrics and availability: AAR can provide some data, but other data must be collected from individual railroads
 - Best process to assess the data and communicate about it to RETAC, with a possible two-step approach:
 - Caucus of Subcommittee in advance of RETAC meetings to discuss data and come to consensus on key findings
 - Summarize key findings in dashboard or other presentation tool for RETAC meetings

Subcommittee recent activities cont.

- **Conference call 2/26/09 – part 1: data review**
 - Updated coal data from EIA (February publications), including full year 2008, historical comparisons, and 2009 forecast.
 - Rail data for coal carload originations and coal train speeds, including data for 2008 and historical comparisons. Continued discussion of other rail metrics/availability.
 - Initial review of available EIA data on ethanol production and stocks. Continuing to research data availability for biodiesel and other renewable fuels.

Subcommittee recent activities cont.

- **Conference call 2/26/09 – part 2: caucus key points from data review and discussion**
 - 2008: COAL PRODUCTION up 2% to 1.2 bn tons, supported by higher exports of 81 mn tons vs. 59 mn tons in 2007. COAL CONSUMPTION in the electric power sector down 0.5% to 1.04 bn tons. COAL INVENTORIES in the electric power sector ended 2008 at a historically high level of 171.5 mn tons, 20 mn tons above 2007.
 - COAL CARS ORIGINATED in 2008 by the top four U.S. railroads increased by a range of 1.5% to 6%. COAL TRAIN SPEEDS improved significantly.
 - Subcommittee views entire supply chain now as having surplus capacity. EIA's current 2009 coal forecast is for lower production, exports, and consumption in 2009, and additional electric power sector inventory growth for most of the year.
 - Rapidly weakening economic conditions in the last six months of 2008, especially Q4. Through week 7 of 2009, originated rail carloads down 3% for coal and 16% total.

Subcommittee recent activities cont.

- **Notes on Ethanol:**

- Ethanol demand is driven mainly by federal mandates (Renewable Fuels Standard) requiring its use.
- High commodity prices coupled with lower crude prices has negatively impacted ethanol suppliers, resulting in bankruptcies and idling of production.
- Current production exceeds mandated levels, but longer term more capacity will be needed to meet higher mandated requirements.

Next steps

- **Continued collection, refinement, and review of data.**
- **Continued work on process and tool(s) to be utilized for providing information for RETAC meetings and support of other subcommittees.**