



WATCO

COMPANIES, INC.
"Your Transportation Specialists"

Washington State Transportation Commission

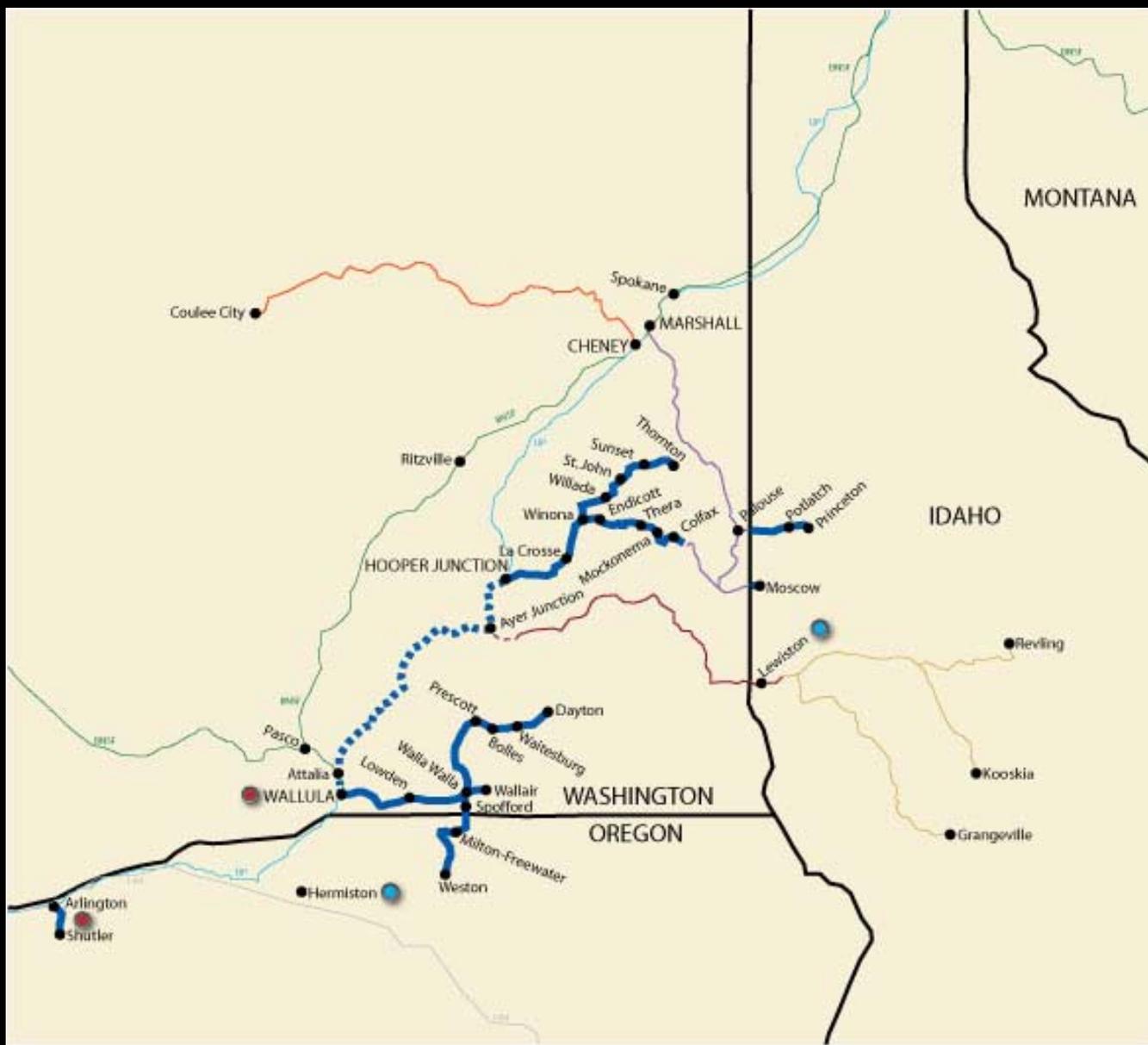
April 20, 2010



Watco Companies in Washington

- Watco has operated PCC since 1992 and GRNW since 2004
- Sold portions of PCC to State of Washington in 2004 and 2007
- Watco now operates 188 miles on PCC and 77 miles on GRNW
- In 2009, PCC moved 4,276 carloads and GRNW moved 12,815 carloads
- Watco moves many important commodities for customers in PNW - frozen vegetables, fertilizer, sodium, propane, lumber, paper, scrap metals
- Watco moves substantial amount of eastern Washington's wheat, barley, peas, lentils to market
- Provides industrial switching for Boise, Inc., at Wallula





LEGEND:

Palouse River & Coulee City RR (PCC)		Interchanges - Track miles 202
Palouse River & Coulee City Trackage Rights		BNSF - Wallula
Great Northwest RR		UP - Hooper Junction, Wallula
Great Northwest RR Trackage Rights		Mechanical Services
Washington and Idaho Railway		Switching Services
Eastern Washington Gateway RR		
BG & CM Railroad		



PCC Grain Shuttle Program

- PCC has worked with grain customers since 1997 to shuttle grain to NWGG barge facility at Wallula
- PCC has been allowed haulage rights by UPRR since 1996 to shuttle grain from customers north of Hooper Junction to Wallula
- Shuttle program represents 64% of business on PCC
- Shuttle hopper fleet includes 61 WSDOT cars and 34 Watco-owned cars. Watco pays State of Washington for use of WSDOT cars. Charges customers nothing for use of Watco cars
- Moved 2,225 shuttle cars during 2008/2009 harvest year. Forecasting 3,140 carloads during 2009/2010 harvest year



PCC Grain Shuttle Program cont.

- Shuttle is a true partnership between NWGG, Co-ops and Watco
- PCC works with shuttle customers year-to-year to guarantee continuation of service
- Grain shuttle shows willingness of UPRR to participate in the viability of PCC and Washington's economy
- WSDOT's participation proves State's commitment to ensuring future of Washington's agriculture economy



Benefits of Rail to Washington

- BNSF and UPRR have strong presence in Washington, play key role in economy, job creation
- PCC and GRNW remove 51,273 trucks from PNW roads annually - saving millions in road maintenance costs – passenger vehicles do not wear out highways
- Removal of trucks reduces congestion and makes Washington's highways safer
- Railroads provide Washington's farmers and industries with economical way to transport products to market, compete in global economy



Impact of River Closure

- Closure will impact movement of wheat, peas, lentils, paper, wood chips, fuel
- Closure will force grain to be stored or move via railroads
- Potentially move bushels from PCC Shuttle to Ritzville unit loader, risking future viability of shortline system in eastern Washington
- Will force movement of more trucks over Washington's roads
- Once river reopens, carloads will return to barge
- Railroad must invest \$5,000 per mile to maintain infrastructure. Barge has no infrastructure expense
- Challenge for railroads to invest in infrastructure when traffic will return to barge



Strategy During River Closure

- BNSF/ UPRR have been proactive, working to gain quality forecasts
- BNSF/ UPRR working to confirm capacities at facilities and elevators to plan car distribution
- BNSF/ UPRR will preposition cars prior to closure
- BNSF/ UPRR providing flexibility on unit trains
- BNSF/ UPRR will keep log of car requests, usage to respond to customer needs
- PCC and GRNW will work diligently with customers, UPRR/ BNSF to ensure customers' products are moved efficiently and cost effectively



Other Projects in Eastern Washington

- Watco committed to the future of Washington's economy and is poised for growth as economy stabilizes
- Watco stands ready to provide capital for viable projects
- Watco working with Class 1 railroads to initiate intermodal service from GRNW
- Have identified 7,000 containers of peas, lentils, wheat, other commodities that need to move to Puget Sound
- Working with Port of Vancouver, WA, to develop opportunities from GRNW and eastern Washington



Questions/ Discussion

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