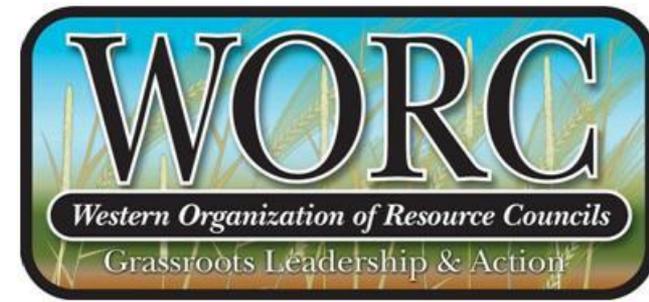


Heavy Traffic *Still Ahead*

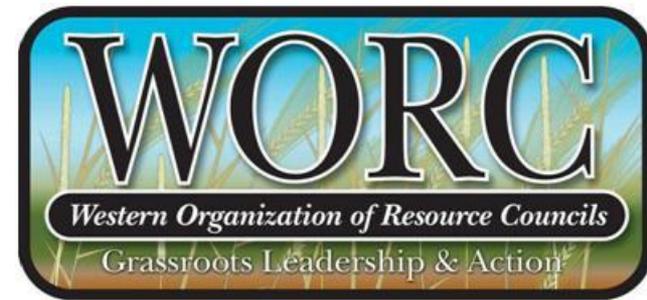
February 2014



Report prepared
for Western
Organization of
Resource
Councils

February, 2014

About WORC



Western Organization of Resource Councils (WORC) is a regional network of seven (7) grassroots community organizations that include 10,000 members and 38 local chapters.

WORC's member organizations are: Dakota Rural Action; Dakota Resource Council; Idaho Rural Council; Northern Plains Resource Council; Oregon Rural Action; Powder River Basin Resource Council; and Western Colorado Congress.

About The Study Team

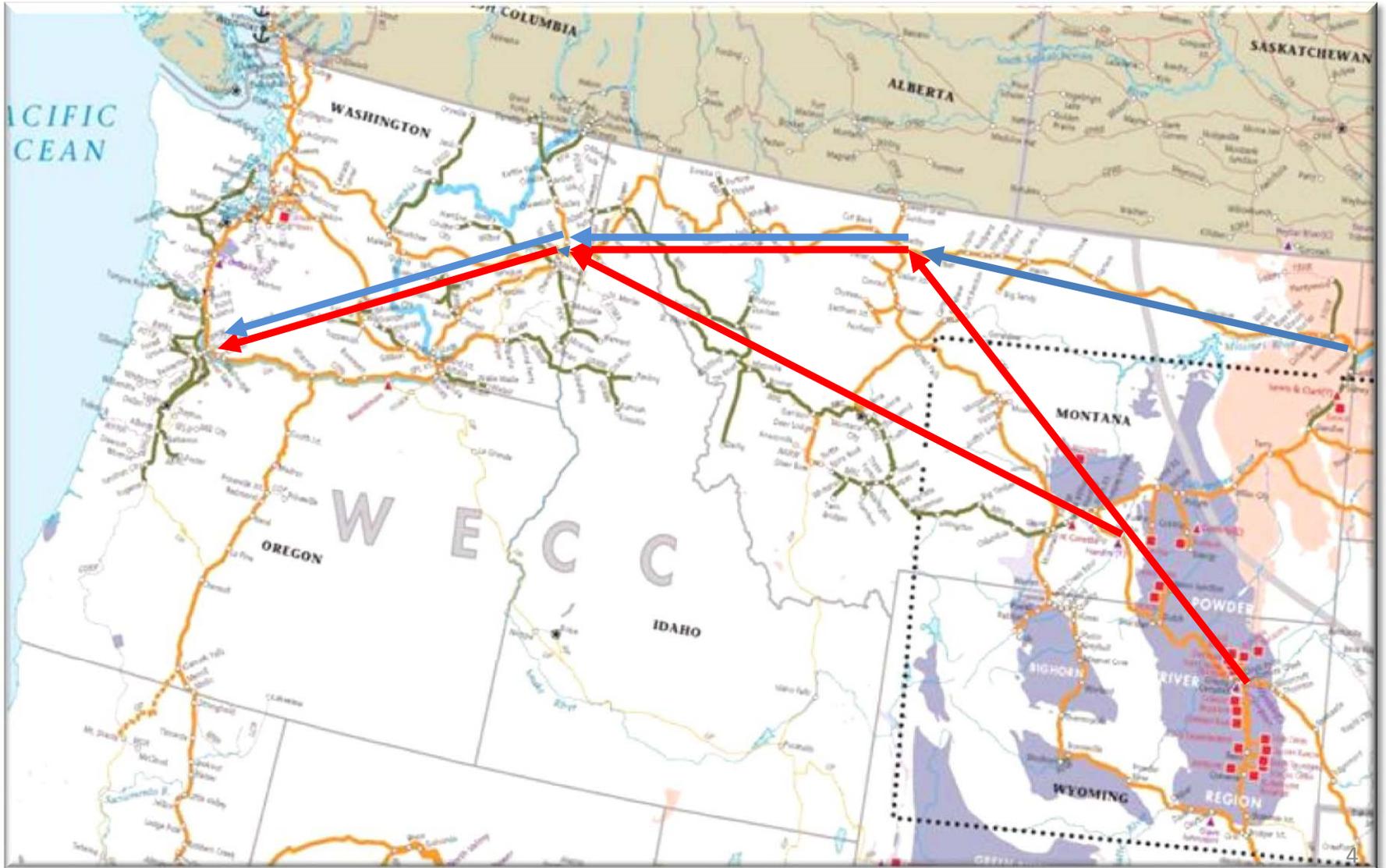


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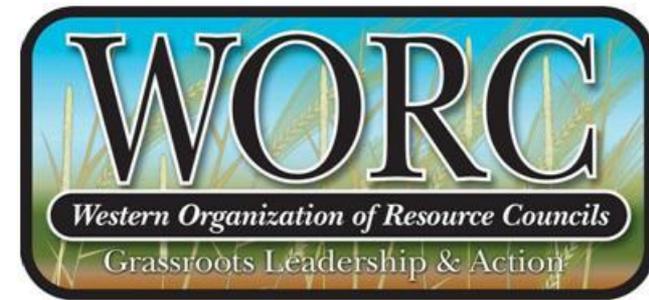


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PRB Coal/Oil BNSF Routes To PNW



Is The Current Rail Service Meltdown Due To Increasing Coal/Oil?



- In **July, 2012** – Heavy Traffic Ahead (HTA) was published – **predicting very large increases in coal volumes in the coming decade. Heavy Traffic Still Ahead (HTSA)** confirms that the coal volumes have doubled in the last 12 months and the **forecasted volumes continue to show over 120+ million tons of coal** still to come
- Additionally, currently the huge increase in Bakken oil movements and doubling of coal movements have contributed **to the worst service meltdown in two decades - serious lack of locomotive power – affecting all commodity movements in northern tier**
- **The pro-coal/railroad respond with rhetoric is heated and divisive**
 - **It is like jumping into a tub full of live hair dryers**
 - **HTSA presents data based upon published report which show massive increases and the pro-coal folks want to get your head and chop it off**
 - **Let's move beyond this – let's say yes something is happening**
 - **Heavy Traffic Still Ahead – confirms that numbers are still massive and something is happening**

Matt Rose, CEO BNSF Replies To First Study



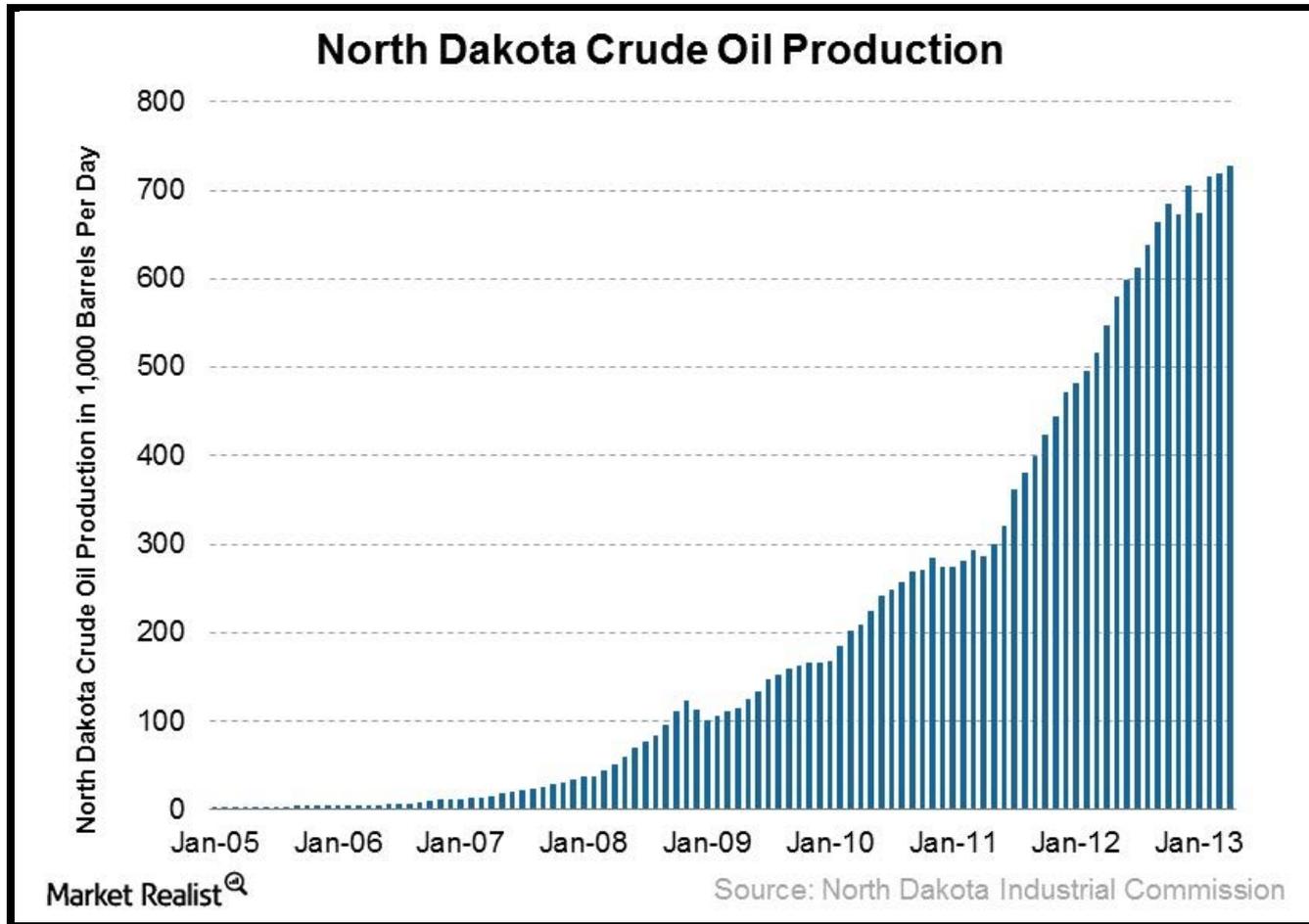
Matt Rose, CEO, BNSF
In an article published in
the Columbian report
dated August 23, 2012



- “Some of the concerns are overblown and that fewer export terminals will be built than the five now proposed in Washington and Oregon”
- “We owe you as a community more information”
- “Rose said, he doesn’t expect all of the other proposed terminals to be built”
- “What’s likelier is that the market will support the development of two, “maybe three,” coal terminals”
- “That would put the total amount of potential coal exports from the Pacific Northwest at roughly 50 million to 100 million tons annually, he said.”
- “There would be an additional eight to 12 **coal-hauling trains** — maybe 12 to 16 — running through the Columbia River Gorge”
- As to the issue of increased train traffic’s creating transportation chokepoints, Rose said BNSF understands those issues, including the concerns of emergency responders, and would be part of any solutions.
- The railroad would help the cities “work through that,” he said.

Figure 23 from HTSA, February 2014

North Dakota Crude Oil Production



The Danger is Ever Present

All Bakken Oil Fires in Past 2 Years



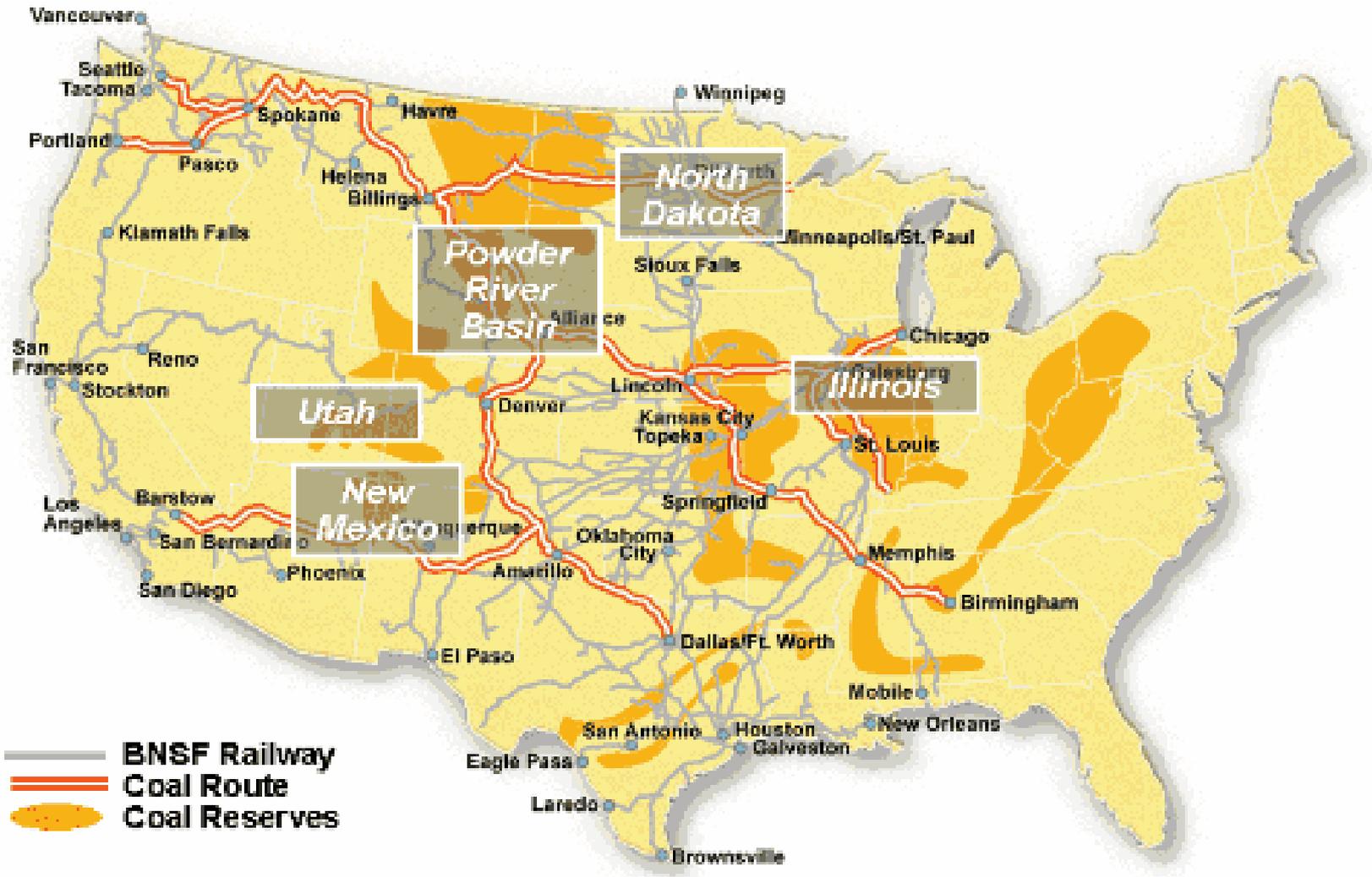
Perspective – Let's Put These Massive Increases in Coal and Oil Shipments In Context

- ***All grain traffic that moves off the PNW*** (wheat, barley, soybeans, corn, cotton seed, beans and peas, etc.) ***total 39-40 million tons***
- ***Estimated coal movements within 5 years 74-99 million tons and within 10 years 128-170 million tons***
- Additionally the expected ***Bakken oil additional shipments of 22 trains per day provides an equivalency of an additional 60 million tons***
- Summary: the ***estimated coal/oil shipments will equate to 200-570% increase in PNW traffic***
- This will lead to capacity constraints (current capacity already very tight) – service issues, delivery issues and higher rates for grain and all other commodity/services requiring rail

What The Study Results Clearly Show

- The U.S. coal export market is continuing to head for explosive growth of coal movements from the PRB region in Montana and Wyoming to seven existing and/or proposed PNW export terminals in Oregon, Washington and British Columbia. Although there have been changes since the Heavy Traffic Ahead was published in July, 2012, the past 18 months confirm potential for enormous volumes in the next few years
- The projected movement of 98 million tons per year by 2018 upwards to 170 million tons per year by 2023 will generate billions of dollars in annual revenues for railroad, coal and terminal companies.
- Although UP and other railroads will be involved in the PRB to PNW export coal transportation market to some extent, BNSF's routes are significantly shorter than UP's routes and BNSF has a lower cost structure.
- The ***number of PRB to PNW loaded and empty export coal trains per day could be as high as 27 to 36 trains per day in 5 years, and could reach between 47 to 63 trains per day in 10 years, if coal export proposals come to fruition.***
- ***Serious capacity issues between Sandpoint, ID and Spokane, WA and in Billings, Montana area*** will continue result in rail traffic creating major local congestion and potential health effects.
- ***The congestion issues will be compounded by the rapidly increasing Bakken oil movements affecting the entire region***

BNSF Network and Coal Reserves



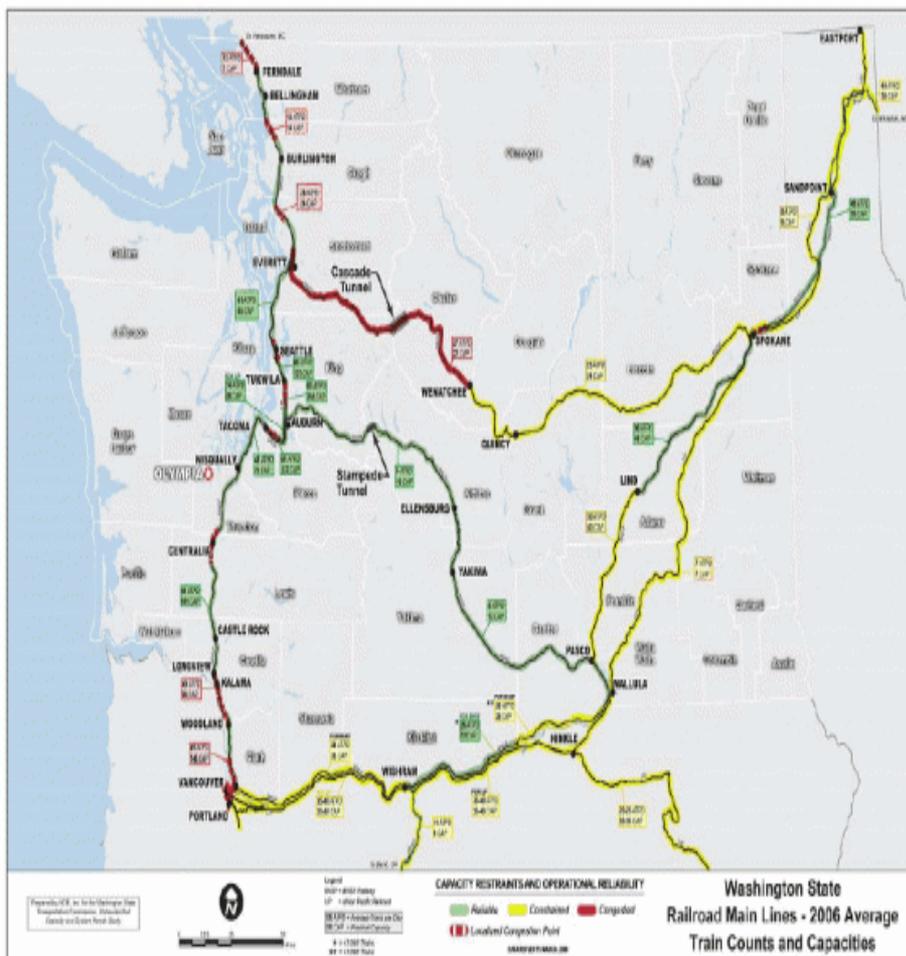
Bottlenecks In Rail Coal Traffic

- **Huntley, MT to Mossmain, MT (Billings) (BNSF/MRL - 24.8 Miles)** - Coal shipments from the BNSF/UP Joint Line coal origins or the BNSF served origins would converge at Huntley, MT (Jones Jct.). From Huntley the coal would move 24.8 miles on the MRL line to Mossmain, where it could then move on BNSF's direct route or via the shorter MRL route. It is projected that 22.3 to 57.6 PRB to PNW export coal trains per day will move over this line segments through Billings. If only 100 Million Tons/Year Billings would see 33 trains/day INCREASE over and above current traffic levels
- **Sandpoint, ID to Spokane, WA (BNSF - 78.3 Miles)** - The MRL route from Mossmain would converge with BNSF-direct coal from Shelby at Sandpoint, ID and move on the BNSF line to Spokane, WA. *All (100%)* BNSF export coal to the PNW would likely move over this 78.3 mile line segment. This line is commonly known as the “*Funnel*,” and is the second-busiest rail corridor in Washington. It is projected that 27.9 to 63.2 PRB to PNW export coal trains per day will move through Spokane. If only 100 Million Tons/Year – Spokane would see 37.2 trains/day INCREASE over and above current traffic levels



Congestion?

- According to the Washington DOT 2009 Freight Rail Plan and forecasts looking at 2010-2030. Many of the impacted railroad tracks are already at, near or exceed capacity and the existing infrastructure needs significant upgrades and improvements in order to handle the existing traffic and relieve existing congestions.
- BNSF's rail routes will require major upgrading and expansion of existing railroad tracks, bridges, tunnels, high-way crossings and other infrastructure in order to adequately and safely handle such high annual volumes.



Conclusion & Recommendations

- This is not a time for panic – but it is a time for conversations to be initiated among all of the stakeholders
- BNSF continues to state publicly that estimated coal numbers are not realistic while confirming that at “50 to 100 Million tons” are on track to move to “2 or 3 terminals.”
- ‘Don’t concern yourself’ professed by some of the railroads’ is not a strategy that will produce solutions
- ‘Let the process work’ professed by some of the railroads’ – fact: there is no process to involve or protect stakeholders
- Not all coal volumes will come to fruition – but the Longview and Cherry Point and BC Roberts Banks – most advanced are on track to move over 110 million tons/year. **FACT: Not all terminals will NOT be built**
- Work together with cities, towns, railroads, environmental organizations, assessing environmental impacts, coal companies, associations, commissions and state, federal and Congressional reps makes sense
- Looking forward – the path towards solutions requires engagement of all parties and developing conversations and concerns
- The Northern Tier BNSF is suffering the worst service meltdown in modern history – started with increasing coal and oil shipments in 2012
- Cities and communities need to develop data or what impacts/solutions they need