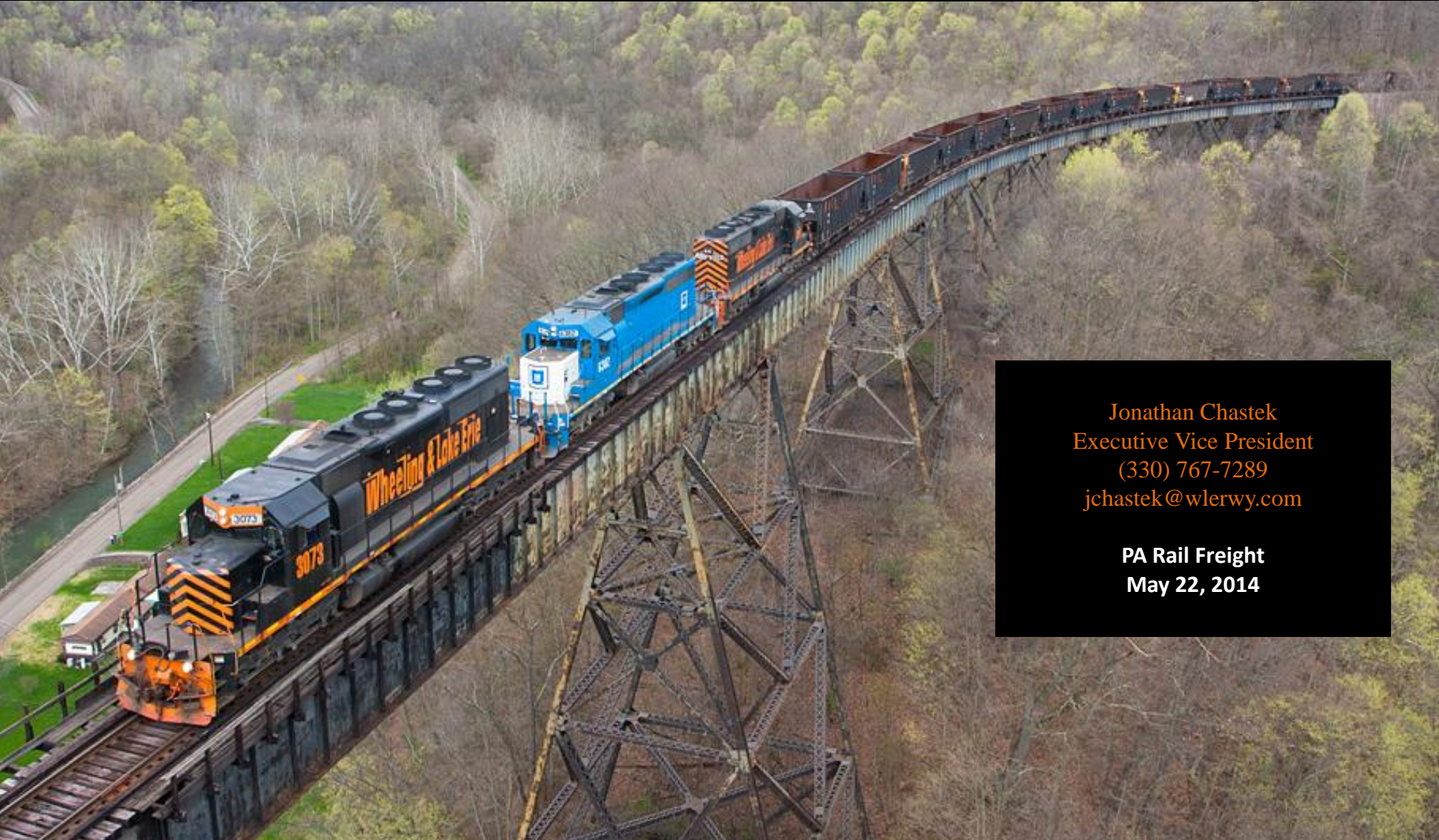


# *Wheeling & Lake Erie Railway*



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Executive Vice President  
(330) 767-7289  
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PA Rail Freight  
May 22, 2014

# ***Wheeling & Lake Erie Railway***

- Introduction
- About us
- Energy
  - Marcellus Shale
- Industry
  - Reshoring
- Rail
  - Rail vs. Pipeline
  - Investing in Infrastructure
  - Safety



# About Us

- Largest Ohio Based Railroad
- Class II Regional Railroad
- 840 miles of Track
  - Ohio
  - Pennsylvania
  - West Virginia
- Employ 350 people
- Over 100,000 carloads annually

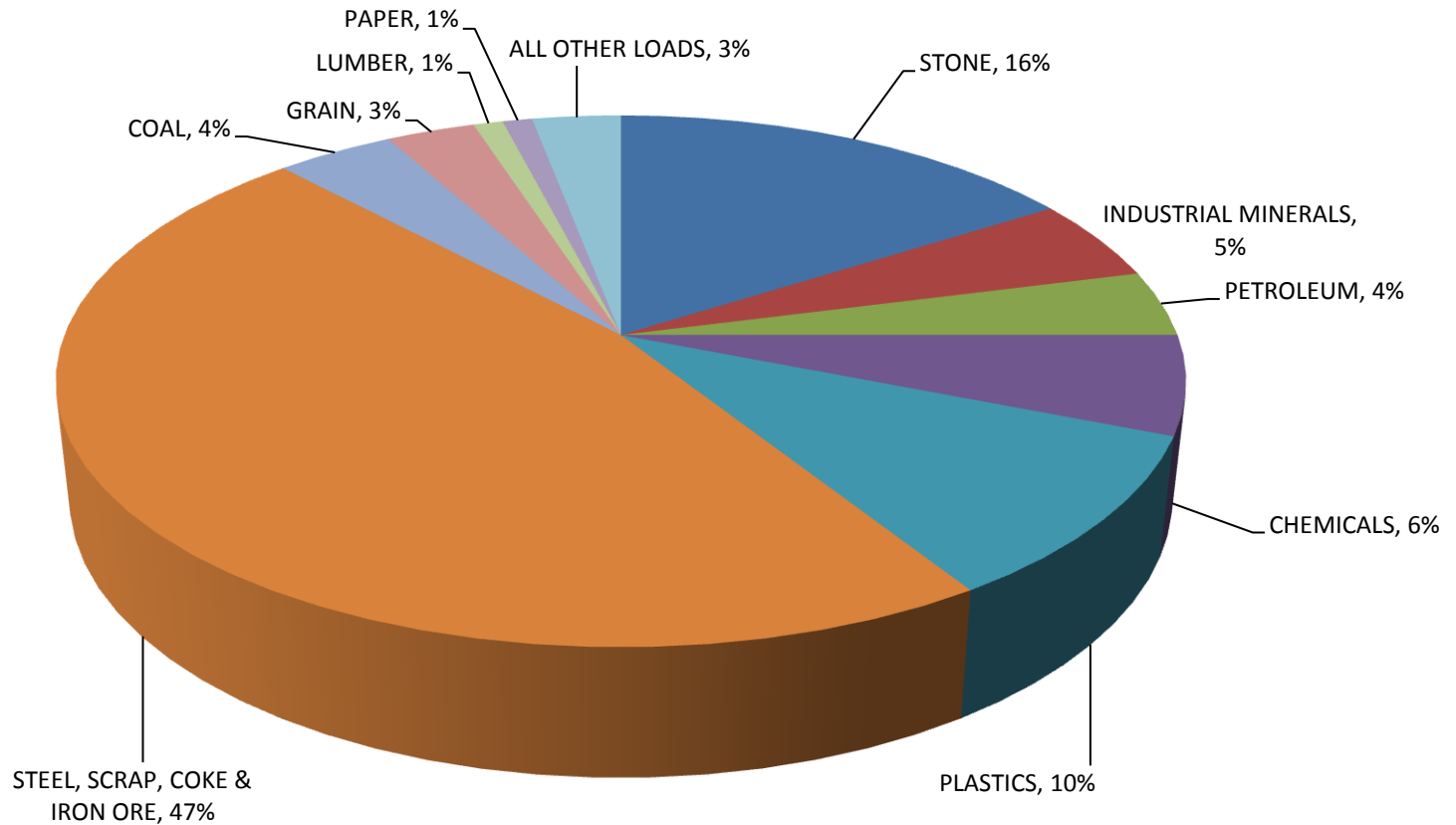
- 3 Class I Connections

- CSXT
- NS
- CN

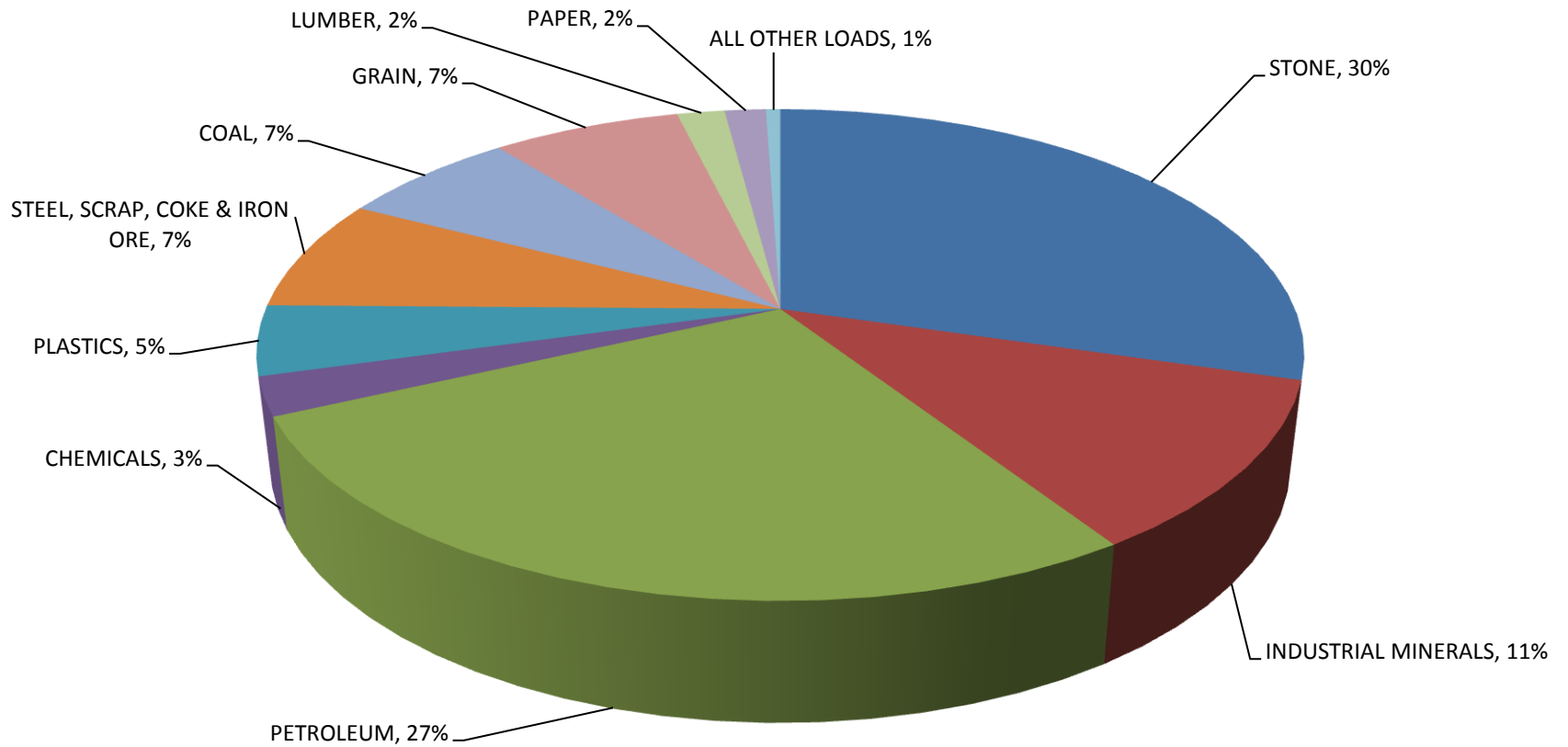
- 14 Shortline Connections

- Akron Barberton Cluster Railway (AB)
- Allegheny Valley Railroad (AVR)
- Ann Arbor Railroad (AA)
- Ashland Railway, Inc. (ASRY)
- Chicago, Ft. Wayne and Eastern Railroad (CFE)
- Cleveland Works Railway Company (CWRO)
- Newburgh and South Shore Railroad Company (NSR)
- Indiana and Ohio Railway Company (IORY)
- Lorain and West Virginia Railway
- Nimishillen and Tuscarawas Railway (NTRY)
- Ohi-Rail Corporation (OHIC)
- Ohio Central Railroad, Inc. (OHCR)
- R J Corman Railroad Company
- Southwest Pennsylvania Railroad (SWP)
- Union Railroad Company (URR)

# FY 2008 CARLOADS



# FY 2014 CARLOADS



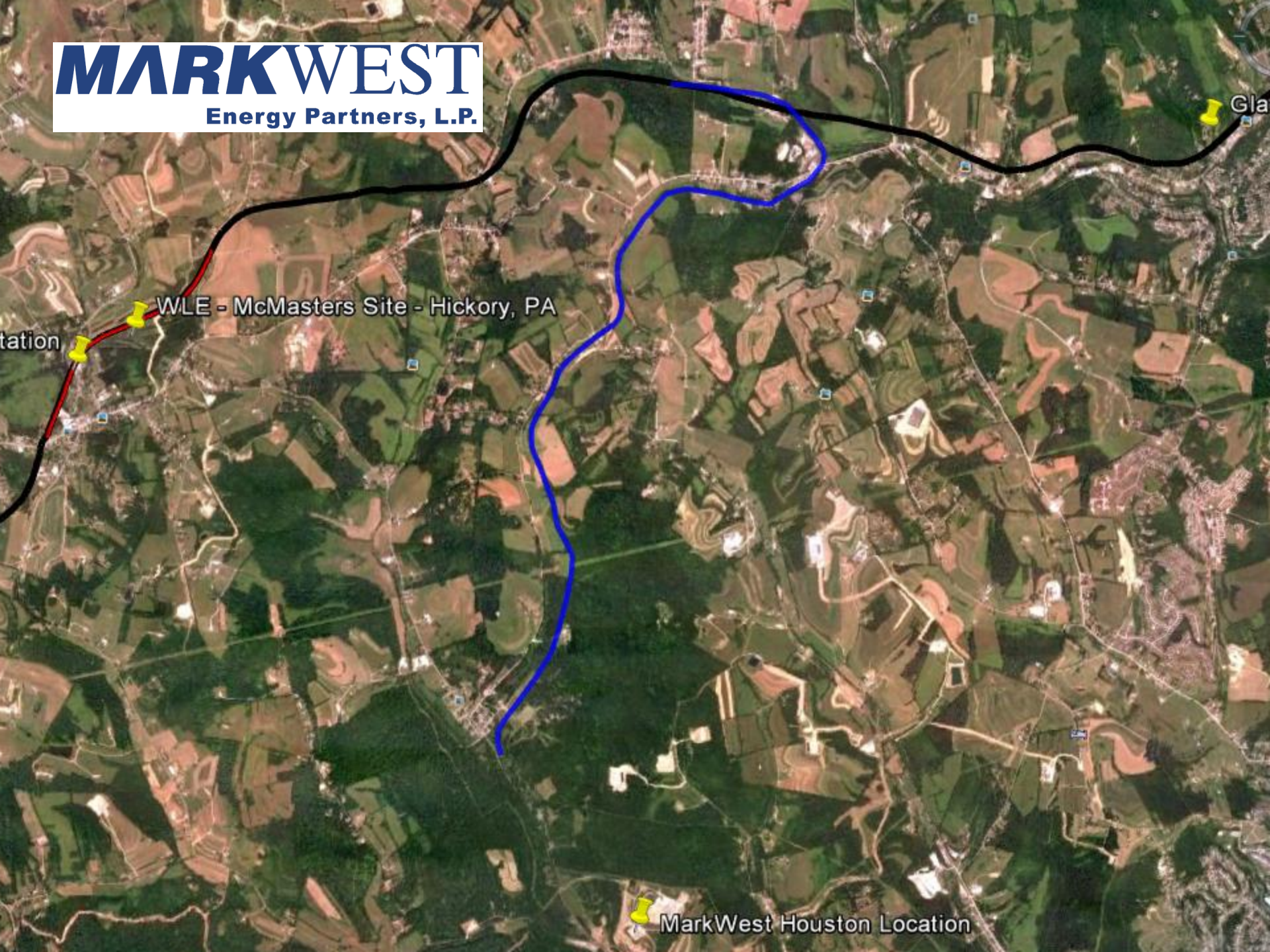


3068 3068

GATX 20842

# MARKWEST

Energy Partners, L.P.



WLE - McMasters Site - Hickory, PA

tation

Gla

MarkWest Houston Location





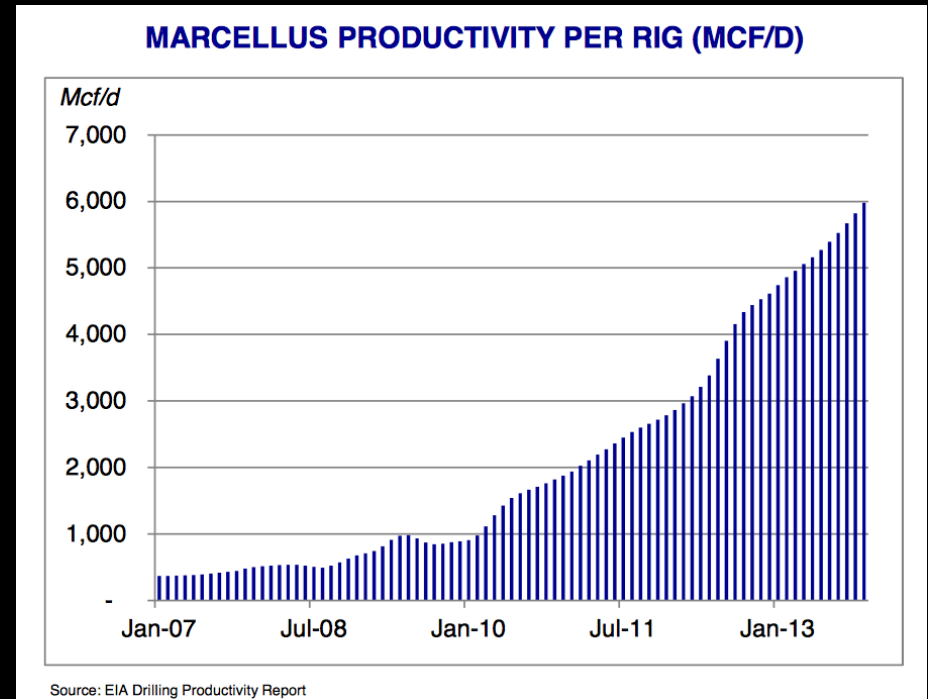






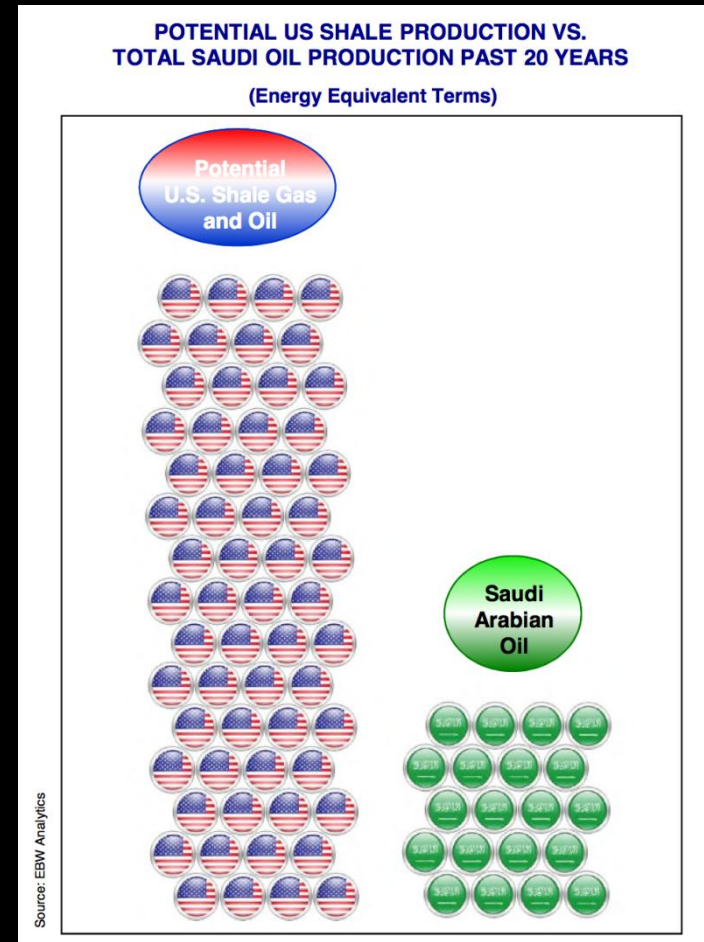
# Marcellus Update

- Potential of 6750 wells still to come
- Only 7% of the acreage is developed
- Stacked Play
- Its now the largest producing gas field in North America

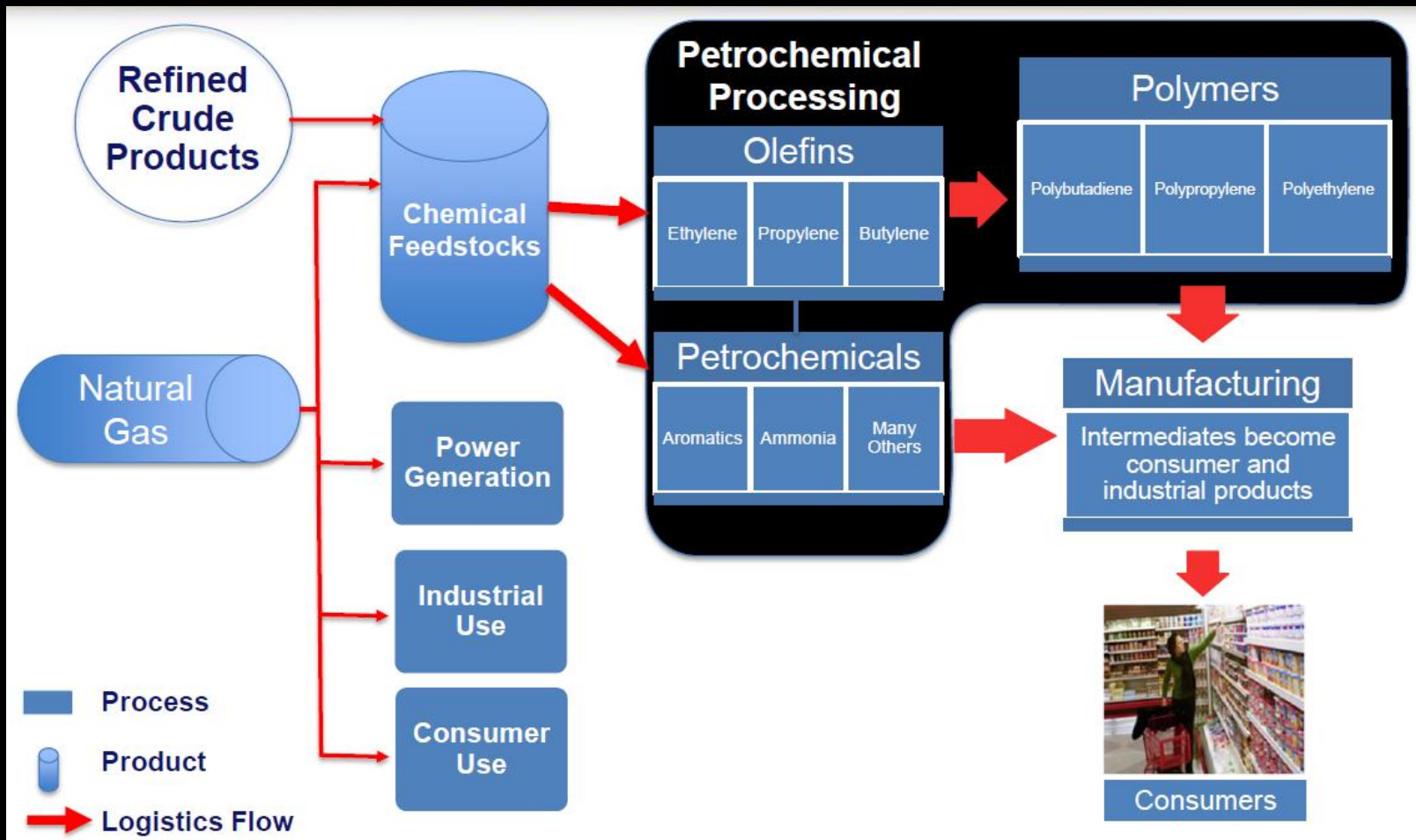


# Looking 10-20 Years Ahead

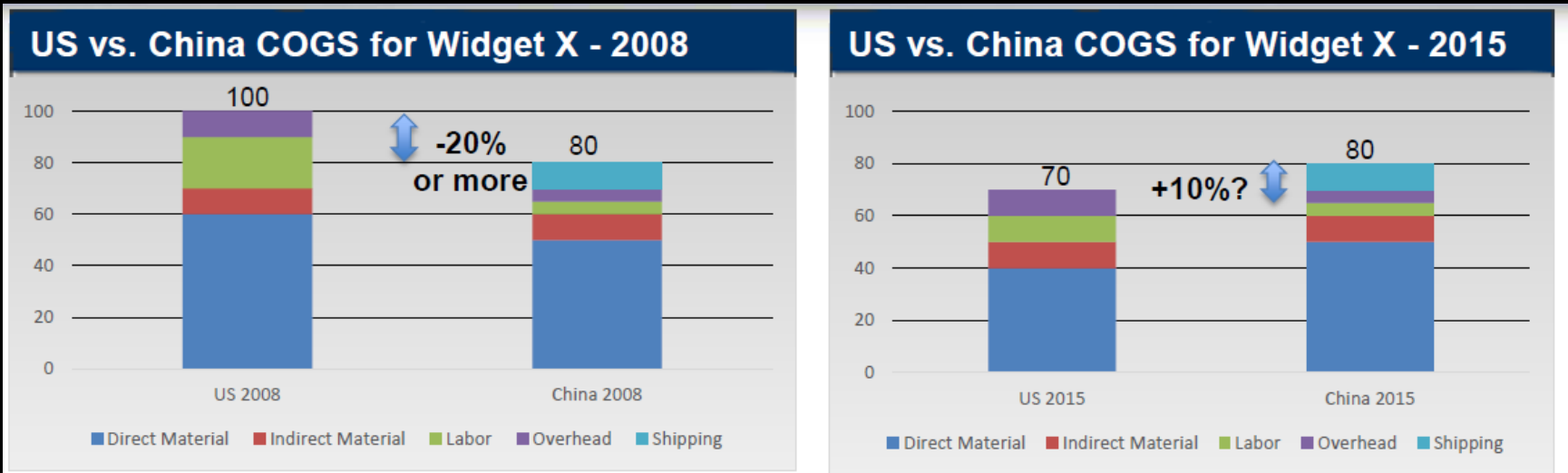
- Natural Gas is 4X cheaper than oil on BTU basis \$3.23/mmBtu
  - Electricity Generation
  - Direct Reduction Iron (DRI)
    - 5 new DRI steel plants being considered (Nucor, Bluescope, Essar)
- Ethane
- Feedstock



# Looking 10-20 Years Ahead



# Looking 10-20 Years Ahead



Key Cost Drivers	2008	2015 Projected?
China labor rate	US\$1.50/hr.	US\$4.00/hr.
Exchange rate	7 RMB/US\$	5 RMB/US\$
US natural gas	\$8-11/MBTU	\$3.75/MBTU
Crude oil (Global)	~US\$100/barrel	>US\$100/barrel

Reshoring is not only possible... but it is **PROBABLE!**

# Advantages of Rail vs. Pipeline

- Rail gives you flexibility to adjust to shifting market demands.
- Rail is less capital intensive than building a new pipeline.
- Rail is safer than pipeline.





# Rail vs. Pipe

An astounding 99.9977% of all rail hazmat shipments reach their destination without a release caused by train accident

- Over the past decade, total railroad crude oil spills equal less than one percent of the total pipelines spills. (2002-2012, railroads spilled 2,268 barrels total vs. pipelines' 474,441 barrels total)
- Last year, the pipeline crude oil spill percentage was 10 times that of the railroads (Rail = 0.00006% vs. pipelines = 0.0005% in 2012).

# Rail vs. Pipe

## Pipeline and Hazardous Materials Administration Data Rail Vs. Pipeline Crude Oil Incidents 2002-2012

	<u>Rail</u>	<u>Pipeline</u>
Total Incidents Reported**	129*	1,849
Total Gallons Spilled	95,256	19,926,540
<b>Total Barrels Spilled</b>	<b>2,268</b>	<b>474,441</b>
Average Gallons Spilled	738	10,777
# Incidents over 5 gals	35	1,784
Estimated spill rate	0.38	0.88 (gallons spilled per million barrel miles moved)

\*of the 129 rail incidents during this period:

- 123 or 95% were non-accident releases (NARs) which typically are minor leaks or spills from tank cars, and
- 94 or 73% were less than 5 gallons, spills of the size pipelines do not generally report.\*\*

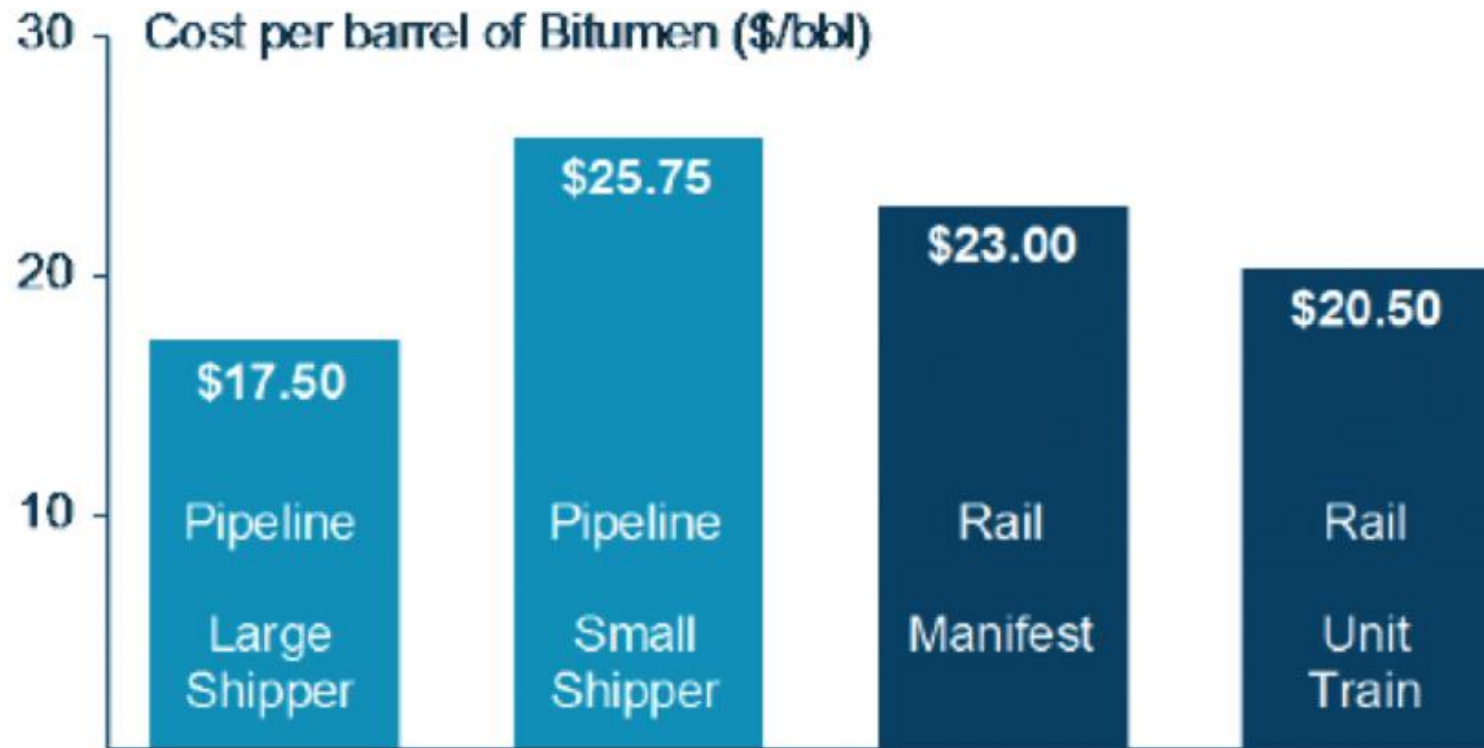
\*\*Railroads are required to report spills of any size. Pipelines are only required to report spills of greater than 5 gallons unless the spill also involves a fatality, and injury, or costs greater than \$50,000.

Last year, the pipeline crude oil spill percentage was 10 times that of the railroads (Rail = 0.00006% vs. pipelines = 0.0005% in 2012).

*(Sources: Pipelines and Hazardous Materials Administration (PHMSA) HMIS and Pipeline Incident Databases; AAR Freight Commodity Statistics, and Association of Oil Pipelines, Report on Shifts in Petroleum Transportation)*

# Rail vs. Pipe

## Comparative Economics: Rail vs. Pipe (W. Canada to USGC)



Source: Raymond James

# What Challenges are WE facing?



- Service
  - Employees
  - Schedule
    - 7 days a week
    - Double switches when necessary
- Capacity
  - Mainline
    - Adding Sidings and Passing Tracks
  - Yards
    - Adding tracks
    - Repairing out of service tracks
- Infrastructure
  - Railroad Ties
    - Aggressive Tie Replacement Program
  - Rail
    - CWR installation program

# In Conclusion

- Our Nations and Regions Energy Markets have changed
- Reshoring is probable
  - Increased Domestic Use necessary
    - Power Plants
    - DRI
    - Industry
  - Ethane Crackers near source
    - Feed Stock
- Rail freight is critical to both our Regions Economy and our Nations Economy
- Safety Comes first
  - Continue to re-invest in our Rail Infrastructure

# Questions?

