

# Inland River and Export Coal

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AEP River Operations  
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2013 NCCI Spring Meeting

# One of the Nation's Leading Barge Companies



AEP River Operations is a fully-integrated barge line that delivers over **74 million tons** of dry cargo for our customers each year.

AEP River Operations' fleet of boats and barges operate from all along the Gulf Coast to as far north as Minneapolis, Chicago, Milwaukee, and Pittsburgh.



AEP entrusts AEP River Operations to manage its coal and consumable supply chain to its power generation fleet on the Ohio River.

# Strategically Located Full-Service Inland Waterways Carrier

## St. Louis, Missouri Headquarters

- ~1,400 employees

## Full-service Inland Waterways carrier

- 3,263 hopper barges
- 60 towboats
- 27 fleet and shuttle boats

## Regional Operations

- Pittsburgh, PA – Sales & Customer Service
- New Orleans, LA – Sales & Operations
- Lakin, WV – Boat & Barge Operations
- Paducah, KY – Boat & Barge Operations
- Mobile, AL – Sales & Customer Service

## Gulf Operations

- Full Service Shipyard
- Barge cleaning and repair
- Fleeting and shifting
- Midstream transfers



# Convent Operations



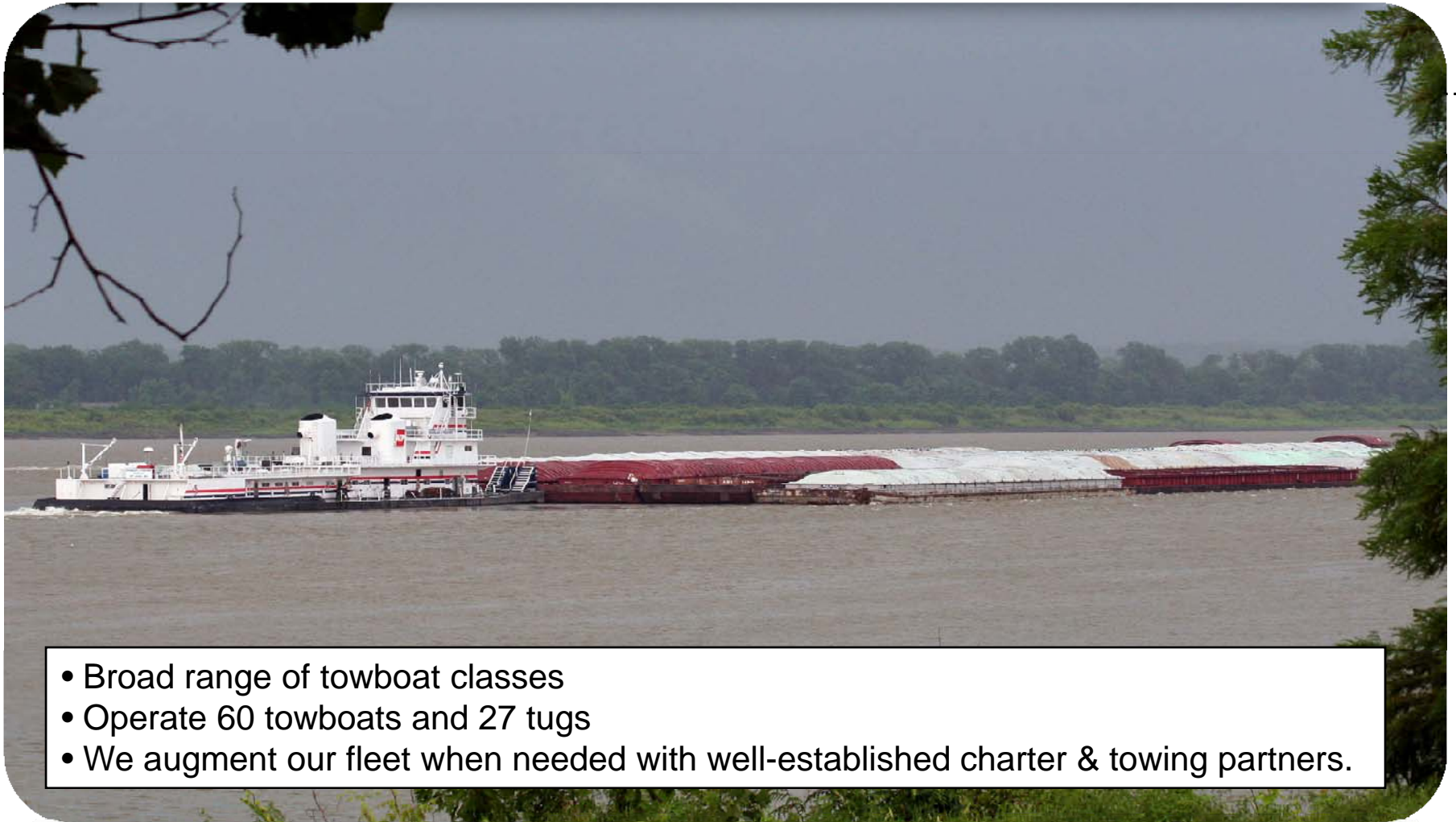
## Convent Fleet

- Operations and dispatch center
- Permitted to hold 650 barges
- Operating 11 harbor tugs, 3 shuttle boats and two dry docks
- 36 barges/day wash dock capacity
- Import loading location
- Mid-stream ship-to-barge and barge-to-ship capabilities

## State of the Art Training Facility:

- Deckhand training center
- Dormitory space for 70 employees

# One of the Largest River Carriers



- Broad range of towboat classes
- Operate 60 towboats and 27 tugs
- We augment our fleet when needed with well-established charter & towing partners.

# Boat Fleet Safety, Reliability, Efficiency, & Comfort

Our Boats are designed to meet our customers needs.

- ✓ Reduced emissions by 40%
- ✓ Increased reliability, fewer repair-related delays
- ✓ Decreased fuel consumption by 15%
- ✓ Advanced safety features
- ✓ Increased amenities for maximum crew comfort





## U. S. Inland Waterways System

About 600 million tons of cargo move each year on the U.S. inland waterways, most of it in bulk.

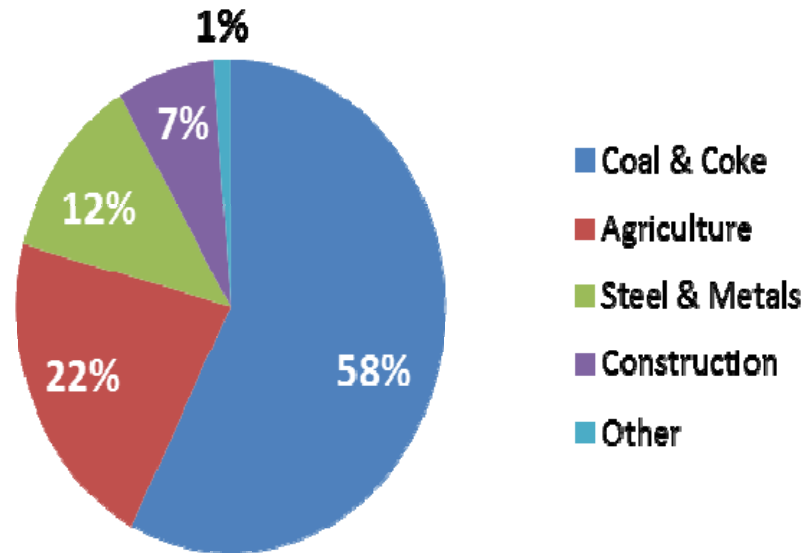
# AEP River Operations

One of America's largest dry cargo carriers



Approximately 75 million tons shipped in 2012

## 2012 Tons by Commodity





# The Inland Waterways are the most cost effective means of transporting bulk commodities

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In 2010 our Inland Waterways system moved close to 600 million tons of freight valued at more than \$180 billion.

The average cost savings of \$11.00/ton, when compared to rail and truck, means the Inland Waterways System saved the nation ~ \$6 Billion in transportation costs in 2010!



# Safest Means of Transporting Bulk Commodities



For each *injury* involving barge transportation, there are 95 injuries related to rail and 1,609 truck-related injuries.

# Drought of 2012

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# MISSISSIPPI RIVER LEVELS

JULY 19, 2012 / 2011 HIGHEST CREST



# Drought Impact on River Transportation: Pure Economics

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## Normal Conditions

Barge Draft = 12'

Barge Tons = 2,100

Barges per Tow = 40

$40 \times 2,100 = 84,000$  tons per tow

## Low Water Conditions

Barge Draft = 9'

Barge Tons = 1,452

Barges per Tow = 25

$25 \times 1,452 = 36,300$  tons per tow

**\$14.00 per net ton rate would be a  
\$667,800 difference per tow**

# Drought Impact on River Transportation



- Boats move more slowly: 50 miles per day vs. 200 miles per day
- Delays for passing through narrowed channels (one way traffic)
- Lost nearly 200 boat days to river closures in August and September
- Increased barge maintenance costs

# Lower Mississippi River



JOSH RUBIN/CNN

# Mississippi River Shut Down

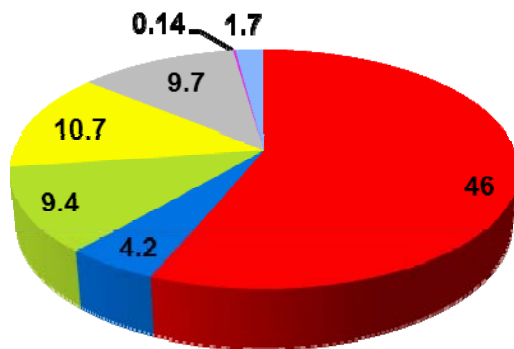
- November 2012 Upper Missouri River reservoirs are low, so USCOE stops river flow
- Anticipation of water levels would drop below 9' draft the first part of December
- Rock removal at mile 78 and mile 46 (Rock Pinnacles), possible complete late Feb. 2013
- Industry concerns of halting barge traffic, divert tonnage to Ohio River





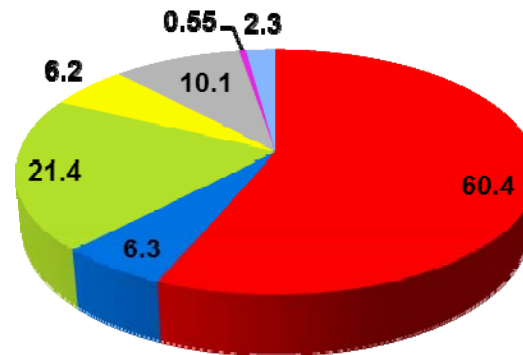
# US Export Coal 2010 - 2012

## Coal Exports 2010



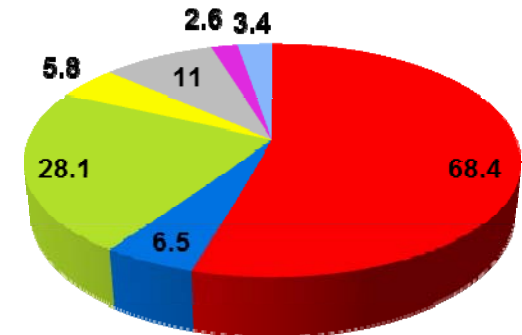
- East Coast
- West Coast
- Gulf
- Great Lakes
- Mobile
- Houston
- Other

## Coal Exports 2011



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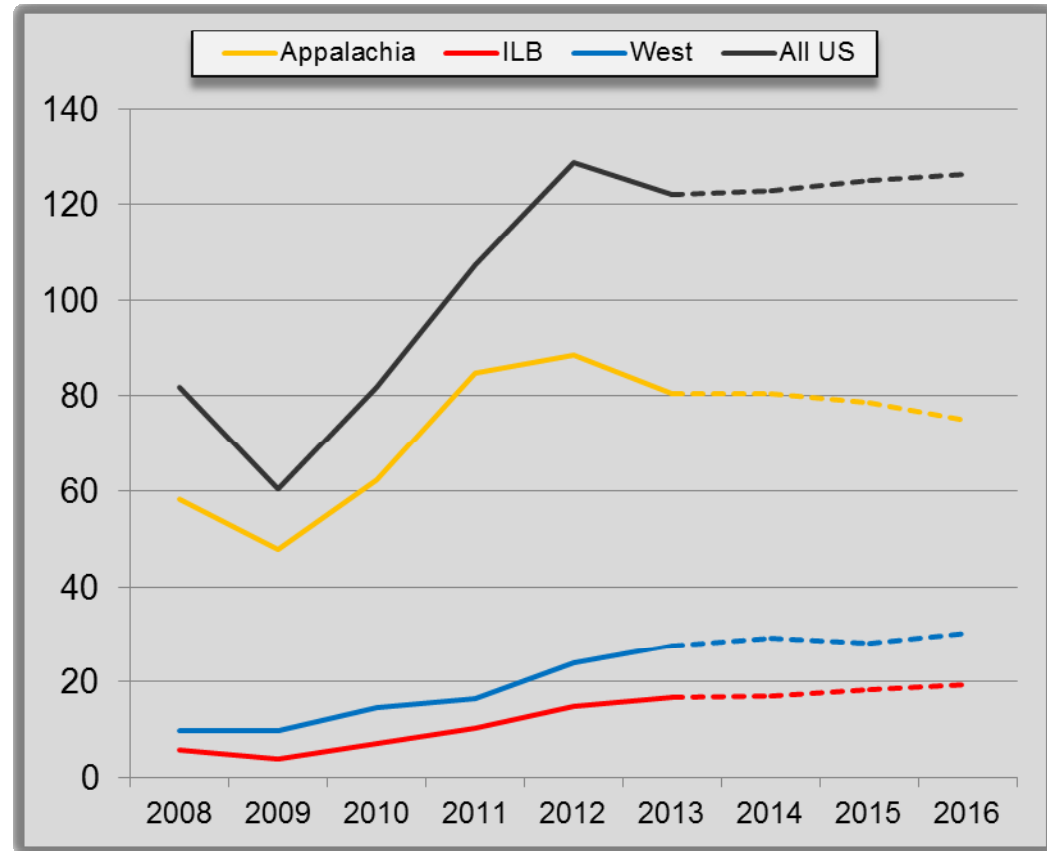
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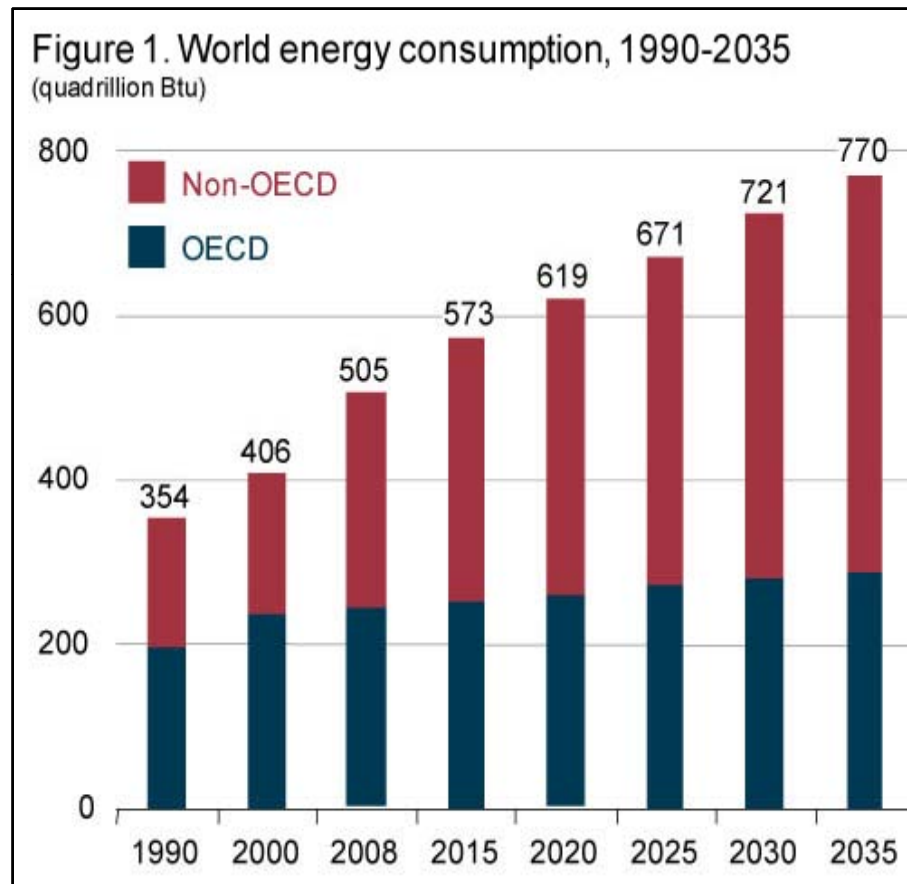
# US Export Coal

- Companies continue to invest large sums to increase the Gulf capacity for export coal
- As the East Coast begins to increase tonnage and tightens capacity, opens up door for export out of Gulf.
- As the European markets began to recover, with high gas prices, US coal demand should remain high.



# Global Demand to Grow

- China and India will continue with strong growth which increases their demand for coal
- Gas prices in Europe and global demand, will continue high demand for US Coal
- Several believe the Panama Canal expansion will increase tons through the Gulf for Asian market and Mexico.



Source: U.S. EIA

OECD – Organization for Economic Cooperation and Development

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**QUESTIONS?**