

EXHIBIT D

EXHIBIT D – OPERATING PLAN

This Exhibit describes the railroad operating plan that the Tongue River Railroad Company (TRRC) plans to implement. BNSF is expected to operate and maintain the rail line subject to a future agreement with TRRC.

Line Description

The Tongue River Railroad (TRR) is designed as a single-track railroad running from Miles City, Montana that splits into two branches just south of Ashland, Montana and has two terminus points – (1) Terminus Point #1 continues southwest and terminates at the previously proposed Montco Mine location (“Montco Mine Spur”) and (2) Terminus Point #2 continues south from the Ashland area along the Otter Creek (“Otter Creek Spur”). The line begins just west of Miles City at approximately BNSF milepost 79. By far the predominant commodity that will be carried by the rail line is subbituminous low sulfur coal from Montana. This coal will be produced from the Otter Creek Mine, a proposed surface mine in the Otter Creek tracts near the Ashland area of southeastern Montana and any other coal mines that are developed in the area.

The Otter Creek Mine, a planned combination dragline/truck shovel surface coal mine owned and operated by Otter Creek Coal, LLC (“Otter Creek Coal”), an indirect, wholly owned subsidiary of Arch Coal, Inc. (“Arch Coal”), is located in Powder River County, Montana, near the southern end of the proposed Tongue River Railroad. The mine is currently projected to produce approximately 20 million tons of coal per year at full production. The mine will transload coal to unit trains via a projected rail spur/coal silo configuration located along the rail loop at the southern end of the TRRC Otter Creek rail spur.

Although US domestic electric utilities represent the prime demand potential for Otter Creek coal that the TRRC would haul, additional tonnages could be anticipated for export markets. Currently, there are no contracts in place for this coal and prevailing market conditions will determine the eventual destinations.

The Pattern of Service

Unit coal trains on the TRR will move from Miles City to the coal mine sites and then return to Miles City. At full Otter Creek Mine capacity of 20 million tons, the TRR would handle 26 round trips per week (3.7 loaded coal trains/day).

Rail and Design Specifications

The main track and sidings will be constructed with continuous welded rail (CWR). Track will be built on 12 inches of compacted granite ballast. Sub-ballast will consist of 12 or more inches of graded rock with a maximum allowable size of 2 inches. The railroad will handle BNSF's current gross car weights allowances of 286,000, and is designed to accommodate gross car weights of up to 315,000 pounds.

Initial design specifications for the railroad include the construction of two passing sidings, each with a minimum of 8,500 feet clear length, with number 20 turnouts on each end. Plant design will provide for capacity to meet TRRC's needs for a number of years. Capacity can be added in increments through the addition of new passing sidings or extending existing ones. The 8,500 feet clear length is desirable to accommodate the potential of future increases in train size, and also allows for comfortable stopping margins. Siding locations and the number of sidings will be based on minimizing train delays.

In addition to passing tracks, additional set-out tracks will be constructed for set-out and storage of Maintenance-of-Way (MOW) equipment, bad-order cars, etc. Each set-out track will

be between 500 and 4,000 feet in length (between clearance points). A minimum length of 500 feet is needed to accommodate permanently-coupled car sets that may operate on this line. Set out tracks will be provided at approximately six locations along the main line.

Equipment and Facilities Needed

The TRRC is proposing to acquire facilities in Miles City and Ashland. Both the Miles City and Ashland facilities will accommodate, as needed, train crews, space for MOW, Signal, and other employees, and offices.

Rolling Stock Requirements and Source

The TRR will be designed to accommodate coal trains of 150 freight cars that will likely be powered by three or four, six-axle, 4,000 plus horsepower locomotives. The actual train size and locomotive configuration will be determined by destination. The majority of the freight cars on the coal trains will be owned by shippers or by BNSF. The locomotives on the coal trains will be supplied by BNSF.

Signal and Communications

Signal System: As proposed, the TRR will be dispatched and operated under a Track Warrant Control System using identical rules and procedures used by BNSF. Designated meet/pass sidings will be equipped with power switches compliant with FRA regulations.

At Miles City, where the Tongue River Railroad connects with the BNSF line, a home signal controlled by the BNSF dispatcher will indicate that it is safe to proceed onto BNSF from the Tongue River Railroad. Similarly, home signals located on BNSF will indicate that it is safe to proceed onto the Tongue River Railroad. It is anticipated that BNSF will dispatch the Tongue River Railroad from its dispatching center located in Fort Worth. It is also anticipated that the main line switch between the Tongue River Railroad and BNSF at Miles City will be remotely

controlled by the same dispatching center.

The signal system and the operating rules and procedures under the Track Warrant Control System will conform to the best railroad industry practices to maximize safety to personnel and equipment. Power will be provided by commercial power with battery and/or generator backup.

Hot journal bearing and dragging equipment detectors will be installed at approximately 25 mile intervals. Reports of bad journals will be conveyed to the locomotive engineer via radio. Set-out tracks for defective cars will be provided.

Communication System: The communication system will consist of two radio frequency channels as assigned by the FCC in an application to be submitted prior to startup of operations. Repeater stations (signal boosters) will be located as appropriate to assure continuous communications with train crews with no signal loss under extremely adverse weather conditions. All other communications will be via commercial or leased telephone lines.

One frequency will be assigned strictly to train operations and track maintenance personnel. Another channel will be assigned for non-operating related uses. Locomotives will have radios capable of communicating on TRRC's assigned frequency. Backup radios will be those installed on trailing locomotive units included in each train consist.

Maintenance-of-Way (MOW)

MOW headquarters will be in Miles City, with some supporting facilities in Ashland. Ashland is the proposed location for a section gang and a signal maintainer. To safely operate loaded coal trains at 40 MPH, the TRR main line will be maintained to Class 3 standards, as outlined in the Code of Federal Regulations (49 CFR 213). The railroad will be constructed of new materials and initially will require a minimum amount of maintenance. Surfacing is the

anticipated exception. Settlement of the newly constructed railroad can be expected because of the type of traffic to be handled (143 gross ton coal cars) and spot surfacing will be required during the first year of operation.

Employees

Since TRRC is expected to enter into an arrangement with BNSF to have BNSF operate the rail line, employees for operations over the TRR rail line will be provided by BNSF. It is estimated that operations of the TRR by BNSF, utilizing BNSF employees, will require a staff of about 29 people, as shown in the table below. Many of the 29 people responsible for BNSF's operations and maintenance of the TRR rail line may also have responsibilities for operations and maintenance covering additional territory on BNSF.

Expected Operations Staffing

POSITION	NUMBER OF EMPLOYEES	POSITION	NUMBER OF EMPLOYEES
Train Crew Members	14	Supervising Trainmasters	1
Equipment Maintenance		Maintenance of Way (Miles City)	
Foreman and Assistant	1	Roadmaster	1
Welder	1	Maintenance (Ashland)	
Mechanic Helper	1	Section Foreman	1
Carmen/Inspectors	1	Section Gang	4
Signal/Communication Technician	1	Track Inspectors	3
TOTAL	29		

It is expected that MOW employees, employed by BNSF, will consist of a roadmaster, a

section foreman and seven additional MOW employees. Maintenance of Equipment will be staffed with a BNSF wheel truck and crew—a foreman, a welder, a mechanic helper and a car inspector. Signal maintenance work and communications maintenance work will be handled by BNSF personnel from the appropriate crafts.

The MOW facilities maintained at Miles City will have an office for the roadmaster. The supporting MOW facility in Ashland will be staffed with a section foreman and an anticipated section gang of four people.

Three BNSF track inspectors will be sufficient for the railroad based upon the projected traffic levels of 20 million tons of coal per year. More BNSF track inspectors will be added if traffic levels warrant.

About seven BNSF train crews (14 operating employees) will be required for projected traffic levels of 20 million tons of coal per year

Administration of train operations will be consistent with current industry standards. Advance train consists (wheel reports) will be electronically transmitted between BNSF and the mines. Electronic data interchange (EDI) procedures will be established so that only minor manual editing or addition of supplementary data is needed to maintain computer based files of all movements, transactions, and operations of the railroad.

Contingencies

TRRC can rely on the substantial resources of the BNSF and its well-established policies and procedures for addressing the vicissitudes of the railroad business. Emergency procedures will be planned in advance for derailments, heavy snowfalls, major washouts and other reasonably foreseeable contingencies. State police, local fire departments, and other emergency response teams will be provided with maps and knowledge of access points prior to the start-up

of the railroad.

Associated Discontinuance or Abandonments

The TRRC construction application does not contemplate any discontinuance of service or abandonments.

EXHIBIT E

TONGUE RIVER RAILROAD COMPANY, INC
(A Development Stage Company)
BALANCE SHEETS
As of December 31, 2011 and 2010

	<u>2011</u>	<u>2010</u>
ASSETS		
<u>Current Assets</u>		
Cash and cash equivalents	\$ <u>2,875</u>	\$ <u>9,346</u>
Total current assets	<u>2,875</u>	<u>9,346</u>
Goodwill	25,966,177	-
<u>Property</u>		
Costs incurred to develop railroad	13,144,196	12,802,043
TOTAL ASSETS	\$ <u>39,113,248</u>	\$ <u>12,811,389</u>
LIABILITIES AND STOCKHOLDER'S EQUITY		
<u>Current Liabilities</u>		
Accounts payable and accrued liabilities	\$ 1,000	\$ 233,818
Notes payable	<u>-</u>	<u>1,377,411</u>
Total current liabilities	<u>1,000</u>	<u>1,611,229</u>
Long term debt due after one year	<u>-</u>	<u>2,486,970</u>
Total Liabilities	<u>1,000</u>	<u>4,098,199</u>
<u>Stockholder's Equity</u>		
Common Stock	3,750	3,750
Paid-in capital	39,109,320	12,123,939
Deficit accumulated during the development stage	<u>(822)</u>	<u>(3,414,499)</u>
Total Stockholder's Equity	<u>39,112,248</u>	<u>8,713,190</u>
TOTAL LIABILITIES AND STOCKHOLDER'S EQUITY	\$ <u>39,113,248</u>	\$ <u>12,811,389</u>

BNSF Railway Company and Subsidiaries

Consolidated Balance Sheets

In millions

	Successor	
	December 31, 2011	December 31, 2010
Assets		
Current assets:		
Cash and cash equivalents	\$ 293	\$ 10
Accounts receivable, net	1,265	1,031
Materials and supplies	739	652
Current portion of deferred income taxes	295	309
Other current assets	190	272
Total current assets	2,782	2,274
Property and equipment, net of accumulated depreciation of \$1,056 and \$659, respectively	48,033	45,473
Goodwill	14,803	14,803
Intangible assets, net	1,420	1,732
Other assets	1,949	2,574
Total assets	\$ 68,987	\$ 66,856
Liabilities and Stockholder's Equity		
Current liabilities:		
Accounts payable and other current liabilities	\$ 3,093	\$ 2,831
Long-term debt due within one year	226	299
Total current liabilities	3,319	3,130
Deferred income taxes	15,847	14,553
Long-term debt	1,845	2,096
Intangible liabilities, net	1,496	1,790
Casualty and environmental liabilities	905	938
Pension and retiree health and welfare liability	769	490
Other liabilities	998	849
Total liabilities	25,179	23,846
Commitments and contingencies (see Notes 5, 12 and 13)		
Stockholder's equity:		
Common stock, \$1 par value, 1,000 shares authorized; issued and outstanding and paid-in-capital	42,920	42,920
Retained earnings	5,655	2,382
Intercompany notes receivable	(4,564)	(2,319)
Accumulated other comprehensive (loss) income	(203)	27
Total stockholder's equity	43,808	43,010
Total liabilities and stockholder's equity	\$ 68,987	\$ 66,856

See accompanying Notes to Consolidated Financial Statements.

EXHIBIT F

TONGUE RIVER RAILROAD COMPANY, INC
(A Development Stage Company)
STATEMENTS OF INCOME
For the Years Ended December 31, 2011 and 2010

	<u>2011</u>	<u>2010</u>
INTEREST INCOME	\$ -	\$ 5
EXPENSES		
General and administrative	482	27,789
Operations and management	340	289,414
Interest expense	<u>-</u>	<u>53,233</u>
Total Expenses	<u>822</u>	<u>370,436</u>
Loss from development stage activities	\$ <u>(822)</u>	\$ <u>(370,431)</u>

BNSF Railway Company and Subsidiaries

Consolidated Statements of Income

In millions

	Successor		Predecessor	
	Year Ended December 31, 2011	February 13 – December 31, 2010	January 1 – February 12, 2010	Year Ended December 31, 2009
Revenues	\$ 19,229	\$ 14,835	\$ 1,768	\$ 13,848
Operating expenses:				
Compensation and benefits	4,288	3,544	439	3,458
Fuel	4,267	2,687	329	2,372
Purchased services	2,009	1,787	211	1,859
Depreciation and amortization	1,807	1,531	192	1,534
Equipment rents	779	670	97	777
Materials and other	808	652	1	640
Total operating expenses	13,958	10,871	1,269	10,640
Operating income	5,271	3,964	499	3,208
Interest expense	73	72	16	124
Interest income, related parties	(32)	(15)	(1)	(3)
Other expense, net	10	8	2	6
Income before income taxes	5,220	3,899	482	3,081
Income tax expense	1,947	1,517	200	1,067
Net income	\$ 3,273	\$ 2,382	\$ 282	\$ 2,014

See accompanying Notes to Consolidated Financial Statements.

EXHIBIT G

EXHIBIT G

TRR Projected Income Statement (in 2017 Dollars) For Two Years Following Completion of Construction

- \$'s in millions

	<u>Year 1</u> \$80	<u>Year 2</u> \$80
Revenue		
Expenses	\$20	\$20
Operating Income	\$60	\$60
Interest Expense	\$ 0	\$ 0
Income Before Taxes	\$60	\$60
Income Taxes	\$25	\$25
Net Income	\$35	\$35

Notes:

- 1) Assumes maintenance and insurance costs are passed through to the operator of the TRRC rail line. Expenses include depreciation, property taxes and G&A.
- 2) Assumes 2% annual inflation
- 3) Assumes that an entity other than TRRC will operate the TRRC rail facilities. The \$80 million in annual revenue is an estimate of projected income that TRRC will receive from the operator.

EXHIBIT H

EXHIBIT H

TRRC incorporates by reference as Exhibit H (1) the draft Environmental Impact Statement (“EIS”) served in this docket on July 15, 1983, (2) the supplement to the draft EIS served in this docket on January 19, 1984, (3) the Final Environmental Impact Statement (“EIS”) served in this docket on August 23, 1985 for the rail line approved in the 1986 Decision, (4) the September 5, 1998 *Analysis of Potential Changed Circumstances Related to the Environment and Proposed Action along the Original 89 Miles of the Tongue River Railroad approved in 1986* by Radian International LLC., et al. which analyzes the environmental impacts associated with the proposed Refinements to the rail line approved in 1986 that were considered in the TRRC III proceeding, and (5) the draft EIS from the TRRC III proceeding served on October 15, 2004 and the final EIS from the TRRC III proceeding served on October 13, 2006, to the extent that they evaluate proposed refinements to the 1986 approved rail line. In addition, TRRC is retaining a third party contractor pursuant to 49 C.F.R. § 1105.10(d) to work with the Board’s Office of Environmental Analysis in preparing additional necessary environmental documentation as required by NEPA in connection with TRRC’s Revised Application.

EXHIBIT I

EXHIBIT I

(To be published within two weeks after filing of the revised application)

FINANCE DOCKET NO. 30186

RAIL CARRIER: Tongue River Railroad Company, Inc.

AGENCY: Surface Transportation Board

ACTION: Notice of Filing a Revised Application to Construct and Operate the
Previously Approved Line of Railroad in Custer, Rosebud, and Powder
River Counties, Montana

SUMMARY:

Tongue River Railroad Company, Inc. ("TRRC") has filed a revised application with the Surface Transportation Board seeking authority to modify the alignment of the rail line between Miles City, Montana, and Ashland/Otter Creek, Montana that was previously approved in 1986 by the Surface Transportation Board's ("Board") predecessor – the Interstate Commerce Commission ("ICC") -- in *Tongue River R.R. – Rail Construction and Operation – In Custer, Power River and Rosebud Counties, MT*, Finance Docket No. 30186 (ICC served May 9, 1986) (hereafter "1986 Decision"). As the expected operator of the rail line, BNSF Railway Company ("BNSF") joined in the revised application.

The rail line approved in 1986 connects with a BNSF line at its northern end near Miles City, MT. Near its south end, the line splits into two branches just south of Ashland, MT and has two Terminus Points – (1) Terminus Point #1 continues southwest and terminates at the previously proposed Montco Mine location ("Montco Mine Spur"), and (2) Terminus Point #2 continues south from the Ashland area along the Otter Creek ("Otter Creek Spur"). TRRC does

not intend to construct the rail lines south of Terminus Points #1 and #2 that were the subjects of its applications in TRRC II¹ and TRRC III.²

The proposed refinements to the approved rail line address rail operational considerations that were raised subsequent to the 1986 Decision. They generally entail a straightening and shortening of the rail alignment approved in 1986. Most of the refinements to the authorized rail line that TRRC seeks authority to construct and operate were considered in the *TRRC III* proceeding, which has now been dismissed.³ In this revised application, TRRC is also proposing a few additional refinements to the authorized rail line that were not considered in the *TRRC III* proceeding. The new refinements are very minor curve adjustments near the Miles City Fish Hatchery that move the rail centerline further from hatchery facilities and certain adjustments along the Otter Creek Spur.

The purpose of the rail line, as refined, is the same as the purpose of the approved rail line; namely, to transport low sulfur, sub-bituminous coal from proposed mine sites in Rosebud and Powder River Counties, Montana, including proposed mines in the Otter Creek area. The rail line will also operate as a common carrier line and will thus be available to transport other commodities on reasonable request.

As part of its revised application, TRRC has incorporated by reference the draft Environmental Impact Statement (“EIS”) served in this docket on July 15, 1983, the supplement to the draft EIS served in this docket on January 19, 1984, and the Final EIS served in this docket

¹ Finance Docket No. 30186 (Sub-No. 2), *Tongue River Railroad Company – Rail Construction and Operations – Ashland to Decker, Montana*.

² Finance Docket No. 30186 (Sub-No. 3), *Tongue River Railroad Company, Inc. – Construction and Operation – Western Alignment*.

³ F.D. No. 30186 (Sub No. 3), *Tongue River Railroad Company, Inc – Construction and Operation – Western Alignment* (dismissed by order served June 18, 2012).

on August 23, 1985 for the rail line approved in the 1986 Decision. As part of its revised application, TRRC has also incorporated by reference a September 1998 report prepared by Radian International LLC., et al., titled *Analysis of Potential Changed Circumstances Related to the Environment and Proposed Action along the Original 89 Miles of the Tongue River Railroad approved in 1986*, that was previously filed with the Board in the TRRC III proceeding,⁴ and the draft EIS from the TRRC III proceeding served on October 15, 2004 and the final EIS from the TRRC III proceeding served on October 13, 2006, to the extent they evaluate proposed refinements to the 1986 approved rail line. In addition, TRRC is retaining a third party contractor pursuant to 49 C.F.R. § 1105.10(d) to work with the Board's Office of Environmental Analysis in preparing additional necessary environmental documentation as required by NEPA in connection with TRRC's revised application. The Board's environmental documentation will be made available for public review and comment at a later date.

Any interested party may advise the Board of its interest in this proceeding and/or file written comments on the revised application with the Board. Any notice of interest and/or written comments (with 10 copies) must be filed within 35 days from the date that TRRC filed the revised application with the Board, or by November 20, 2012. Written comments must contain the basis for the party's position either in support of or in opposition to the proposal. Written comments should indicate the proceeding, STB Finance Docket No. 30186, and should be filed with the Surface Transportation Board, Office of the Secretary, Case Control Unit, 395 E Street, SW, Washington, DC 20423-0001. A copy of each comment shall also be served upon TRRC's representative: David H. Coburn, Steptoe & Johnson LLP, 1330 Connecticut Ave.,

⁴ This 1998 Radian report is Exhibit 2 to the Reply of Tongue River Railroad to Comments on the Scope of the Supplement to the Final Environmental Impact Statement filed on September 8, 1998 in Finance Docket 30186 (Sub-No. 3).

NW, Washington, DC 20036. (202) 429-3000, FAX: (202) 429-3902. TRRC has 5 days from the due date of the comments to respond to them. On the basis of the comments and replies, the Board will decide if a hearing is necessary.

A copy of the revised application, including the previous EISs and 1998 Radian Report, is available for public inspection at the offices of the Surface Transportation Board.

APPENDIX A

APPENDIX A

VERIFIED STATEMENTS

Stevan B. Bobb, President of the Tongue River Railroad Company, Inc.

William M. Rowlands, President of Otter Creek Coal, LLC

**VERIFIED STATEMENT OF
STEVAN B. BOBB**

**BEFORE THE
SURFACE TRANSPORTATION BOARD**

Finance Docket No. 30186

**TONGUE RIVER RAILROAD COMPANY, INC. – RAIL CONSTRUCTION
AND OPERATION – IN CUSTER, POWDER RIVER AND
ROSEBUD COUNTIES, MT**

**VERIFIED STATEMENT OF
STEVAN B. BOBB**

My name is Stevan B. Bobb. Since December 2011, I have been President of Tongue River Railroad Company, Inc. (“TRRC”). I also am Group Vice President, Coal Marketing for BNSF Railway Company (“BNSF”), a position I have held since the spring of 2006. I joined BNSF’s predecessor, the Burlington Northern Railroad, in 1987 and have been employed continuously by the railroad since that date. Following some early work in information systems and marketing support, my career has been spent primarily in line marketing positions. I have a B.S. in Agriculture from North Dakota State University.

Since becoming President of TRRC, I have been involved in the general oversight of the Tongue River Railroad project.

I. Proposed Refinements to Approved Rail Line from Miles City, MT to South of Ashland, MT

TRRC currently intends to construct and operate an approximately 83-mile line between Miles City, MT and south of Ashland, MT with two termination points – one that proceeds up the Tongue River Valley to the previously proposed Montco Mine (“Terminus Point 1”) and the

other that extends up the Otter Creek drainage (“Terminus Point 2”) – that was previously authorized in this docket number in 1986 by the Interstate Commerce Commission (“ICC”), the predecessor of the Surface Transportation Board (“STB” or “Board”), as modified by certain refinements to the rail line (“Refinements”). TRRC does not intend to construct any rail line south of Terminus Point 1 that was the subject of its applications in the TRRC II¹ and TRRC III² proceedings.

Most of the Refinements to the approved Miles City to south of Ashland rail line that TRRC intends to construct were considered by the Board in the TRRC III proceeding. Those Refinements as well as the environmental, social and economic benefits that result from them are described in the September 5, 1998 *Analysis of Potential Changed Circumstances Related to the Environment and Proposed Action along the Original 89 Miles of the Tongue River Railroad approved in 1986: 1985 to 1988* by Radian International LLC., et al. (hereafter “1998 Radian Report”) which was attached as an exhibit to the Reply of Tongue River Railroad to Comments of the Scope of the Supplement to the Final Environmental Impact Statement filed on September 8, 1998 in Finance Docket 30186 (Sub-No. 3).

Based upon additional engineering work undertaken in the last few years, TRRC has refined the alignment of the approved Miles City to south of Ashland rail line in some additional ways that were not presented in the TRRC III proceeding. The additional Refinements are:

1. From Milepost 0.0 to Milepost 1.1, TRRC has further refined the geometry of “WYE” connection of the Tongue River Railroad with the main line of BNSF at Miles City,

¹ The TRRC II proceeding is Finance Docket No. 30186 (Sub-No. 2), *Tongue River Railroad Company – Rail Construction and Operations – Ashland to Decker, Montana*.

² The TRRC III proceeding is Finance Docket No. 30186 (Sub-No. 3), *Tongue River Railroad Company, Inc. – Construction and Operation – Western Alignment*.

Montana. These Refinements slightly adjust the radius of the curves that connect the Tongue River Railroad to the BNSF mainline and shift the centerline of the Tongue River Railroad so that it is approximately 50 feet to 60 feet farther away from the hatchery facilities at the Miles City Fish Hatchery. The current proposed Refinements compared to the alignment considered in the Final Environmental Impact Statement (“EIS”) served on October 13, 2006 in the TRRC III proceeding are shown on a map included in Exhibit C to the revised application.

2. From Milepost 69.9 to Terminus Point 2 (hereafter “Otter Creek Spur”), refine the proposed centerline of the rail line based upon more detailed analysis. The current proposed refinements somewhat reduce the cut and fill quantities and result in a flatter operating grade. The current proposed Refinements to the Otter Creek Spur compared to the alignment considered in the Final EIS served on October 13, 2006 in the TRRC III proceeding are shown on a map included in Exhibit C to the revised application.

The Refinements to the rail line approved in 1986 generate environmental, social and/or economic benefits that I describe below. In sum, those benefits include the following:

- Shorten the line by six miles
- Move it away from the facilities at the Miles City Fish Hatchery
- Reduce curvature
- Facilitate operations and maintenance

A. Environmental Advantages

The rail line, as refined, has environmental advantages over the rail line approved in 1986. It is six miles shorter than the approved rail line and has less curvature thus lowering operating costs and resulting in improved velocity. Fuel usage and air emissions are reduced as well. Moreover, the rail line, as refined, will require fewer acres of land to be acquired for the

railroad right-of-way and, consequently, fewer acres of vegetation and wildlife habitat will be lost if the rail line, as refined, is constructed in lieu of the rail line approved in 1986. The rail line, as refined, also locates the line further west of the Tongue River and, as a result, impacts to the river valley will be reduced.

B. Economic Advantages

As discussed above, approval to construct and operate the rail line subject to the proposed refinements will result in a rail line that is six miles shorter than the rail line as approved in 1986. This will reduce the energy expenditures associated with the operation of the rail line, as refined. The economic benefits that will result include annual reductions in locomotive maintenance costs, car maintenance costs, fuel costs, and mainline track maintenance. These benefits are estimated to yield annual reductions in cost as compared to the costs associated with the rail line approved in 1986 in each year of operation. In addition, the rail line, as approved, will offer significant track maintenance savings due to its fewer curves.

C. Operating Advantages

The proposed Refinements to the approved rail line also will yield significant operating advantages. Operating unit coal trains over the rail line, as refined, will be more efficient than operations over the rail line approved in 1986 because the new route as refined contains fewer curves. In fact, there is some question whether the unit coal trains we would expect to operate over the line once it is constructed could efficiently operate over the alignment with sharper curves that was approved in 1986, when shorter trains were envisioned.

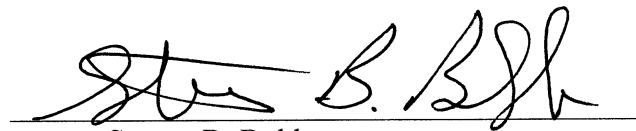
II. **Public Convenience and Necessity**

In this docket number, the Board's predecessor has already concluded that the construction of the approved TRRC rail line from Miles City, MT to south of Ashland, MT is consistent with public convenience and necessity. In approving the rail line in 1986, the ICC explained that "[t]he evidence of record shows a need for rail transportation to serve coal mines in the Tongue River Valley. This is a provident and necessary expenditure that will give shippers new rail service to their benefit and to the benefit of the public as well."³ The same justifications continue to exist for the approved Miles City to south of Ashland rail line as TRRC proposes to refine it.

³ Finance Docket No. 30186, *Tongue River R.R. – Rail Construction and Operation – In Custer, Power River and Rosebud Counties, MT* at 10 (ICC served May 9, 1986) (hereafter "1986 Decision").

VERIFICATION

I, Stevan B. Bobb, hereby verify under penalty of perjury under the laws of the United States of America that the foregoing is true and correct to the best of my knowledge and belief.



Stevan B. Bobb

Dated this 24 day of September, 2012

**VERIFIED STATEMENT OF
WILLIAM M. ROWLANDS**

**BEFORE THE
SURFACE TRANSPORTATION BOARD**

Finance Docket No. 30186

**TONGUE RIVER RAILROAD COMPANY, INC. – RAIL CONSTRUCTION
AND OPERATION – IN CUSTER, POWDER RIVER AND
ROSEBUD COUNTIES, MT**

**VERIFIED STATEMENT OF
WILLIAM M. ROWLANDS**

My name is William M. Rowlands. I am President of Otter Creek Coal, LLC (“Otter Creek Coal”), an operating subsidiary of Arch Coal Inc. (“Arch Coal”) and an affiliate of Ark Land Company (“Ark”). I have been an employee of several Arch Coal operating subsidiaries across the United States with duties relating to engineering, operations and management including Mingo Logan Coal Company in West Virginia, Cumberland River Coal Company in Kentucky and Virginia and Thunder Basin Coal Company in Wyoming. I am a graduate of West Virginia Institute of Technology with a B.S. degree in civil engineering.

My responsibilities at Otter Creek Coal include the day to day operation and development of the Otter Creek Mine, a greenfield coal mining project to be located in Powder River County, Montana. In that capacity, I have been responsible for developing the operation since its inception including investigation and quantification of the coal reserves, preparation of the applications for various permits related to the Otter Creek Mine including the mining permit, and interaction with the community and governmental agencies with respect to the development of the Otter Creek Mine. Based on my work experience, I am knowledgeable about the coal

reserves in Powder River County, Montana, including those in the Otter Creek area, about Ark's lease of coal tracts in Otter Creek, Montana, and about Otter Creek Coal's plans to develop the coal tracts in the Otter Creek area

I. Coal Reserves in Powder River County, Montana

The coal reserves in Powder River County, Montana making up the Otter Creek Tracts are owned in a "checkerboard" configuration by Great Northern Properties Limited Partnership ("GNP") and the State of Montana which together comprise a generally contiguous 1.5 billion ton coal reserve consisting of low sulfur, sub-bituminous coal. Construction of the Tongue River Railroad rail line will provide, for the first time, rail service to one of the largest remaining undeveloped reserves of low sulfur, sub-bituminous coal in the United States.

In November 2009, Ark leased the coal reserves in Powder River County, Montana that are owned by GNP. In March 2010, Ark leased from the State of Montana the remaining coal reserves in Powder River County, Montana. Together, the Powder River County coal reserves leased by Ark are commonly referred to as "Otter Creek Tracts." Otter Creek Coal, which as I have noted is an indirect, wholly owned subsidiary of Arch Coal and an affiliate of Ark, will develop the Otter Creek Mine and mine the coal in the Otter Creek Tracts.

II. Otter Creek Coal's Plan to Develop Otter Creek Tracts

Otter Creek Coal has already sought and obtained a prospecting permit from the Montana Department of Environmental Quality ("MDEQ") for the Otter Creek area. On July 26, 2012, Otter Creek Coal filed a mine permit application with MDEQ seeking authority to construct and operate the Otter Creek Mine, a planned combination dragline/truck shovel surface coal mine that will be located in the Otter Creek Tracts near the southern end of Otter Creek Spur (Terminus Point 2) of the Tongue River rail line. Before the permit application can be acted

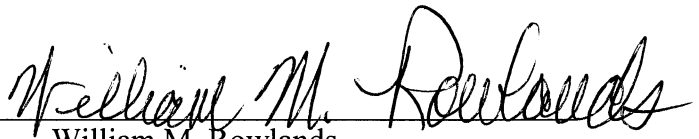
upon by the MDEQ, that agency will undertake an environmental review under the Montana Environmental Protection Act. The Otter Creek Mine will transload coal to unit trains on the Tongue River Railroad via a projected rail spur/coal silo configuration located along a rail loop at Terminus Point 2 of the Tongue River rail line. The rail loop at the mine will be designed to accommodate 150-car unit trains.

Assuming that Otter Creek Coal is granted a mine permit, including all supplemental and ancillary required permits, we estimate that it will take approximately two and a half years to complete the construction of the Otter Creek Mine. Based on a myriad of factors including, without limitation, market conditions and general business considerations, our best estimate is that the Otter Creek Mine could be constructed and ready to produce coal in January 2017.

The Otter Creek Mine is expected to ramp up to its annual full production level of approximately 20 million tons of coal after two years of production. Accounting for mine start up and preparatory work to reach the coal seam, in the first year of production, we expect the Otter Creek Mine to produce approximately 6 million tons of coal. In the second year of production, as we continue to fully implement the mine, we expect the mine to produce approximately 16 million tons of coal. Thereafter, in the third and subsequent years of operation, we expect the Otter Creek Mine to produce 20 million tons of coal annually, although actual production may vary considerably depending upon market conditions and/or other business considerations. Based upon the projected rate of production and estimated coal reserves in the planned mining area of 330 million tons, the Otter Creek Mine should allow for nearly 20 years of mineable coal production.

VERIFICATION

I, William M. Rowlands, hereby verify under penalty of perjury under the laws of the United States of America that the foregoing is true and correct to the best of my knowledge and belief.



William M. Rowlands

Dated this 21 day of September, 2012

APPENDIX B

Appendix B

Estimated Tongue River Railroad Construction Costs

Miles City to Terminus Point 1 (77.4 miles) and Otter Creek Spur (5.7 miles)

	Grading & Bridge Construction	Track Construction	Signal & Communications Construction	Total
Construction Year 1	\$187,000,000	\$0	\$0	\$187,000,000
Construction Year 2	\$187,000,000	\$46,500,000	\$6,500,000	\$240,000,000
Construction Year 3	\$10,000,000	\$46,500,000	\$6,500,000	\$63,000,000
Total	\$384,000,000	\$93,000,000	\$13,000,000	\$490,000,000

Note: All costs shown above are in 2012 dollars and not adjusted for inflation.

APPENDIX C



MONTANA COAL COUNCIL

2301 COLONIAL DRIVE • HELENA, MONTANA 59601
(406) 442-6223 • FAX: (406) 449-6628 • EMAIL: MTCOAL@AOL.COM

August 7, 2012

Chairman Daniel R. Elliot
Surface Transportation Board
395 E Street SW
Washington, DC 20423

RE: Tongue River Railroad, Finance Docket 30186

Chairman Elliot:

The Montana Coal Council is an industry trade association representing all six of Montana's operating coal mines, a handful of major coal reserve holders, numerous coal consuming customers, and over 50 major suppliers of goods and services. Collectively we represent 1208 direct employees and nearly 10,000 indirect. Needless to say, the coal industry is a huge economic engine in the state of Montana. The six operating mines alone paid \$118,363,376 in state, local and federal taxes in 2011. Continuance of that level of economic activity hinges on expansion and replacement of depleting permitted coal reserves. Consequently the development of new coal mines and the associated necessary transportation systems is paramount to Montana's economic future.

The Tongue River Railroad project is a key component to the economic prosperity of Montana, and southeastern Montana in particular. This project will open up hundreds of employment opportunities for Montana residents and skilled labor from around the country. In addition to the employment opportunities, the tax revenues provide benefits to residents in all corners of the state. Furthermore, various pollings have indicated that Montanans overwhelming support expanded coal mining in Montana (nearly 75%). A recent report by the University of Montana Bureau of Business and Economic Research quantifies that 2600 jobs will be created by development of the Otter Creek Coal mine and the associated Tongue River Railroad. Collectively this development would add 1740 permanent jobs and increase the tax base by over \$100 million annually! That is an incredible shot in the arm for Montana economics.

We have every reason to have confidence in the ability of the companies involved to fulfill all their regulatory requirements and carry out their activities as good corporate citizens. We urge your approval of the TRRC's filing.

Respectfully,

Bud Clinch, Executive Director
Montana Coal Council



Western Environmental Trade Association

August 1, 2012

Chairman Daniel R. Elliot
Surface Transportation Board
395 E Street SW
Washington, DC 20423

Re: Tongue River Railroad, Finance Docket 30186

Chairman Elliot:

The membership of the Western Environmental Trade Association (WETA) strongly supports the Tongue River Railroad Company's (TRRC) efforts to construct a rail line between Ashland/Otter Creek mine area and Miles City, Montana—as approved in original docket in 1986 with recent proposed refinements.

WETA is one of Montana's largest and most diverse natural resource industry advocates—representing 100 industries, trade unions, small businesses and support services involved in coal and hard rock mining, agriculture, timber and wood products, construction, manufacturing, transportation, electricity generation and transmission, oil and gas exploration and production and recreation. We promote responsible natural resource development and reasonable environmental regulation in Montana and strive to help create opportunities for natural resource-based job growth and economic development.

The Tongue River Railroad project is a key component to the economic well being of the State of Montana—and in particular—its southeast region. This part of the state has experienced very difficult economic challenges and population decline for a generation. The vast majority of people remaining in southeast Montana strongly support development of the Tongue River Railroad and the coal resources it would transport from the proposed Otter Creek Mine. This project has the potential to significantly improve the quality of life for thousands of southeast Montana residents and provide benefits to the rest of the state as well.

A recent study completed by the University of Montana Bureau of Business and Economic Research concluded construction of the Tongue River Railroad and the Otter Creek Coal Mine would create over a billion dollars of demand for rail transport annually. The two projects would also create over 2,600 construction jobs, 1,740 permanent jobs and over \$100 million in annual tax revenue. Montana's working families, communities and public schools will all greatly benefit from the railroad and mine and deserve a fair and expedient evaluation so construction can begin promptly.

Chairman Daniel R. Elliot

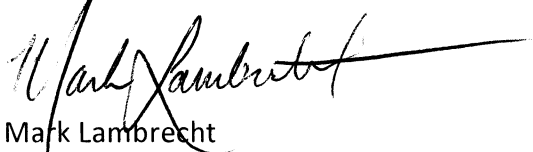
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August 1, 2012

WETA is aware that the TRRC is required to update its filing to take into account alignment changes and other issues associated with the Ashland/Otter Creek mine area to Miles City route. We have every confidence the company will demonstrate this route is essential for connecting southeast Montana to the interstate rail network and it can be developed with minimal disruption.

Please expedite approval of the TRRC's filing as soon as possible.

Sincerely,

A handwritten signature in black ink, appearing to read "Mark Lambrecht", with a long horizontal flourish extending to the right.

Mark Lambrecht
Executive Director



Chamber of Commerce

Your Business Advocate Since 1931

August 1, 2012

Chairman Daniel R. Elliot
Surface Transportation Board
395 E Street SW
Washington, DC 20423

RE: Revised Application for Construction of the Tongue River Railroad, Finance Docket 30186

Chairman Elliot:

For over 80 years, the Montana Chamber has been the state's leading advocate for business, economic development and job creation. Our mission focuses on growth of the private sector through free enterprise, responsible stewardship of the land, and private investment. The revised application for the construction of the Tongue River Railroad is very much in line with the Montana Chamber's mission, and it will be a huge economic benefit to our state.

Montana would not exist without railroads. With our expansive borders and sparse population, we grow and extract much more than we can ever consume, which necessitates affordable, reliable and fast transportation means. These essential transportation arteries allow farmers, ranchers and business to move their goods to larger markets.

The railroads have also been important to Montana's role in being an energy leader for our country and the world. We have some of the largest coal reserves on the globe, and most of it sits in very remote areas of the state. New mines, such as the proposed Otter Creek coal mine, cannot come online without a rail line. The proposal contained in the Tongue River Railroad's revised application will help get these new mines up and running and will allow the coal to be transported to market.

Montanans are anxious to see Montana's large coal reserves developed. They know that increased coal development will mean more good-paying jobs, more money for schools and government programs, and a smaller tax burden on individual taxpayers. They also believe this can all be done without having harmful impacts on the land where they live and recreate. According to our annual poll of Montana likely voters (600 respondents, 4.1% margin of error), more than three-quarters of Montanans want government to promote more mining of coal.

As the "Treasure State," Montana has huge potential in being a part of energy solutions for the future. The Tongue River Railroad is an essential part of that future, and we urge the Surface Transportation Board to expeditiously approve the revised application of the Tongue River Railroad. Montanans are anxious to get more people to work and see the economic benefits of these new projects.

Please feel free to contact us if you would like to know more about the economic benefits of the project and the support for these projects in the business community and among regular Montanans.

Sincerely,

Webb Scott Brown
President/CEO
Montana Chamber of Commerce
webb@montanachamber.com