REDACTED

**UNITED STATES BANKRUPTCY COURT**
**EASTERN DISTRICT OF MISSOURI**
**EASTERN DIVISION**

| | |
|---|---|
| **In re**<br><br>**PATRIOT COAL CORPORATION, *et al.*,**<br><br>**Debtors.** | **Chapter 11**<br>**Case No. 12-51502-659**<br>**(Jointly Administered)**<br><br>**Objection Deadline:**<br>**March 28, 2013 at 4:00 p.m. (prevailing Central Time)**<br><br>**Hearing Date:**<br>**April 10, 2013 at 10:00 a.m. (prevailing Central Time)**<br><br>**Hearing Location:**<br>**Courtroom 7 North** |

**DECLARATION OF PAUL P. HUFFARD IN SUPPORT OF THE DEBTORS' MOTION TO REJECT COLLECTIVE BARGAINING AGREEMENTS AND TO MODIFY RETIREE BENEFITS PURSUANT TO 11 U.S.C. §§ 1113, 1114**

Paul P. Huffard declares pursuant to 28 U.S.C. § 1746:

1. I am a Senior Managing Director in the Restructuring & Reorganization Group of Blackstone Advisory Services L.P. ("**Blackstone**"), a financial advisory services firm retained by Patriot Coal Corporation and those of its subsidiaries that are debtors and debtors in possession in the above-captioned chapter 11 cases (collectively, "**Patriot**," the "**Company**" or the "**Debtors**") as investment banker to Patriot.

2. I submit this declaration in support of the Debtors' motion pursuant to 11 U.S.C. §§ 1113 and 1114 (the "**Motion**"), for an order: (1) authorizing those Debtors (the "**Obligor**

**Companies**") that are signatories to collective bargaining agreements with the United Mine Workers of America (the "**UMWA**") to reject such collective bargaining agreements; (2) implementing the terms of the Debtors' section 1113 proposal (the "**1113 Proposal**"); (3) authorizing the Debtors to terminate retiree benefits for certain of their current retirees; and (4) implementing the terms of the Debtors' section 1114 proposal (the "**1114 Proposal**" and, together with the 1113 Proposal, the "**Proposals**").[1]

3. Except as otherwise indicated, all facts set forth in this declaration are based upon my personal knowledge, experience, public information and review of relevant business records and information provided to me by the Debtors, their professionals and Blackstone employees working under my supervision. I am authorized to submit this declaration on behalf of Blackstone, and if called upon to testify, I would testify competently to the facts set forth in this declaration.

4. I hold a Bachelor of Arts in Economics from Harvard College and a Master of Management from the Kellogg Graduate School of Management at Northwestern University.

5. Prior to joining Blackstone in 1995, I was a Vice President of Hellmold Associates, Inc., an investment banking firm specializing in financial restructurings. Prior to working at Hellmold Associates, I was a member of the corporate finance department of Smith Barney, Harris Upham & Co., Inc.

6. I have considerable experience advising distressed companies, including advising both debtors and creditors in chapter 11 restructurings. I have been named one of the country's

[1] The following Debtors are the Obligor Companies: Apogee Coal Company, LLC; Colony Bay Coal Company; Eastern Associated Coal, LLC; Gateway Eagle Coal Company, LLC; Heritage Coal Company LLC; Highland Mining Company, LLC; Hobet Mining, LLC; Mountain View Coal Company, LLC; Pine Ridge Coal Company, LLC; and Rivers Edge Mining, Inc. For convenience, this declaration uses the term "Patriot" or the "Company" to refer to both the Debtors and the Obligor Companies.

leading restructuring financial advisors by K&A Restructuring Register in my duties as Senior Managing Director at Blackstone.

7. Blackstone's restructuring and reorganization advisory operation is one of the leading advisory services providers to companies and creditors in restructurings and bankruptcies. Since 1991, Blackstone has advised on more than 325 distressed situations, both in and out of bankruptcy proceedings, involving approximately $1.3 trillion of total liabilities.[2]

8. Members of my team and I have been working closely with the Debtors since May 2012 when the Debtors retained Blackstone to advise on the Debtors' capital raising, restructuring and reorganization efforts. Blackstone has become intimately familiar with the Debtors' business, affairs, assets and contractual arrangements. Blackstone professionals and I have worked closely with the Debtors' management and other advisors to analyze the Debtors' financial position and to assist the Debtors in evaluating their financial situation, capital structure and various financing and restructuring alternatives. Blackstone has also assisted the Debtors in developing a comprehensive, five-year business plan that is the basis for the Debtors' efforts to successfully reorganize and emerge from bankruptcy as a viable enterprise (the "**Five-Year Business Plan**").

9. Section I of this declaration provides an overview of the coal industry and the pressures that have been placed upon the Debtors by the declining demand and pricing of thermal and metallurgical coal and the increasing costs of production. Section II describes Patriot's recent financial forecasts and long-term financial outlook. Section III describes cost savings the Company has achieved from sources other than active labor and union retirees.

[2] For a more detailed description of Blackstone's qualifications, experience and role in these chapter 11 cases, please refer to the Application of the Debtors for Authority to Employ and Retain Blackstone Advisory Partners L.P. as Investment Banker to the Debtors *Nunc Pro Tunc* to the Petition Date, [Dkt. #132], filed on July 19, 2012.

Section IV discusses the need for the Company to achieve an additional $150 million of cost savings from active union labor and retirees. Section V describes the cost savings that would be achieved through the Debtors' Proposals and the Debtors' need to achieve those savings in order to survive and emerge as a viable enterprise. Section VI addresses the counterproposals made by the UMWA during the negotiation process and the deficiencies in those counterproposals. Section VII briefly summarizes my conclusions regarding the necessity of the relief requested in the Motion.

## I. <u>Unprecedented Challenges in the Coal Industry</u>

10. The coal industry has recently undergone dramatic changes that have forced coal mining companies to adapt quickly and forcefully. Declining coal prices and demand in both thermal and metallurgical coal markets, as well as increased operating costs, permitting requirements and environmental compliance costs, have driven profit margins down throughout the coal mining industry.[3]

***Thermal Coal Markets***

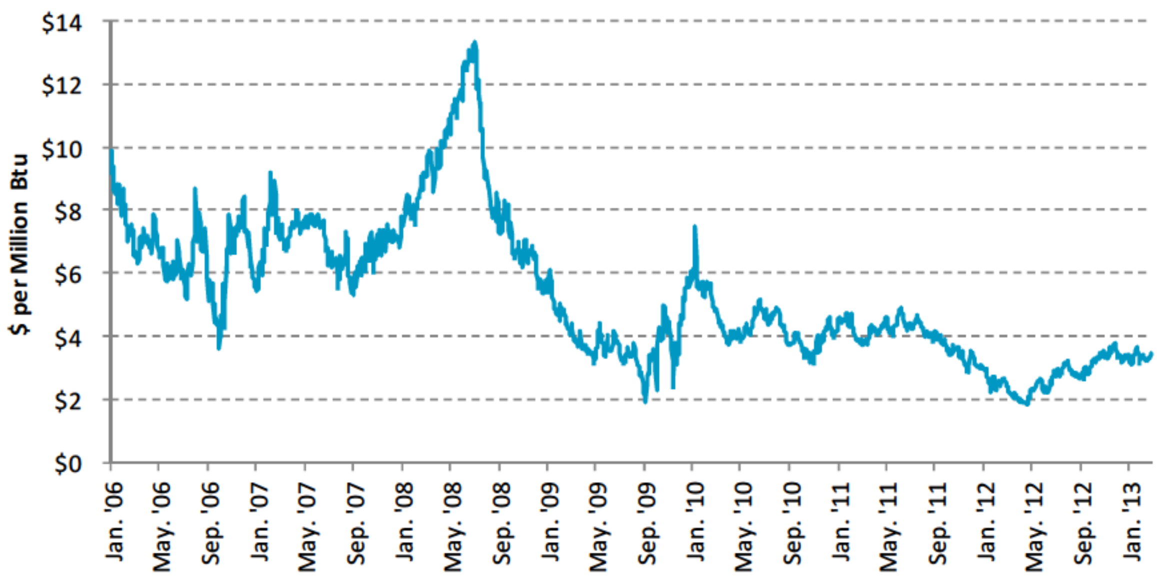
11. Thermal, or steam, coal is used primarily in coal-fueled electricity generation plants. Thermal coal possesses varying geological properties, which make certain coal types more desirable than others, depending upon their end-use. Coal customers decide which coal type to purchase based on its heat content (the greater the heat content, the greater the generation efficiencies) and its emissions (more emissions lead to higher end-user environmental compliance costs). These properties can cause the price of thermal coal to differ from mine to mine. Thermal coal represented 59% of Patriot's coal revenues in 2012.

12. The price of thermal coal is influenced by the price of other carbon-based energy

[3] Unless otherwise noted, this declaration discusses the U.S. domestic coal industry.

sources, in particular, natural gas. Over the last several years, the decrease in natural gas prices, caused by an increase in supply from advances in hydraulic fracturing ("fracking") and horizontal drilling techniques, has caused natural gas to become a cheap substitute for coal-generated electricity, leading to accelerated coal-fueled plant retirements, reduced coal generation at many remaining coal-fueled plants and a switch from coal to gas fuel in certain plants. U.S. natural gas prices (per million Btu) averaged $8.90 in 2008, but declined to an average of $4.11 in the period from 2009 to 2011 and declined even further to an average of $2.75 in 2012 (a 31% year-over-year decline versus 2011).[4]

**Graph 1: U.S. Natural Gas Prices**




*Source: SNL Henry Hub Spot Prices.*

13. In addition to low natural gas prices, the thermal coal market has been negatively impacted by environmental regulations governing domestic electricity generation. Over the past five years, emissions-control regulations for coal-fueled plants have become increasingly stringent and have required many coal-fueled electricity generators to face the prospect of

[4] Source: SNL Henry Hub spot prices.

spending hundreds of millions of dollars on scrubber and filter upgrades, reducing growth in new coal-generation capacity and leading to decisions to prematurely retire, rather than retrofit, many coal plants. Currently, coal-fueled electricity generators are responding to Mercury and Air Toxics Standards, scheduled to take effect in 2015, which will limit emissions of mercury, acid gases and other air pollutants. To comply with these regulations, numerous coal-fueled electricity generators will require the installation of expensive scrubbing technologies and will incur higher operating costs to run these scrubbers in the future. Other potential regulations limiting greenhouse gas emissions ($CO_2$, $CH_4$, $N_2O$, hydrofluorocarbons, perfluorocarbons and sulfur hexafluoride) may also add costs and make new coal-fueled plants less economical relative to plants powered by other fuels.

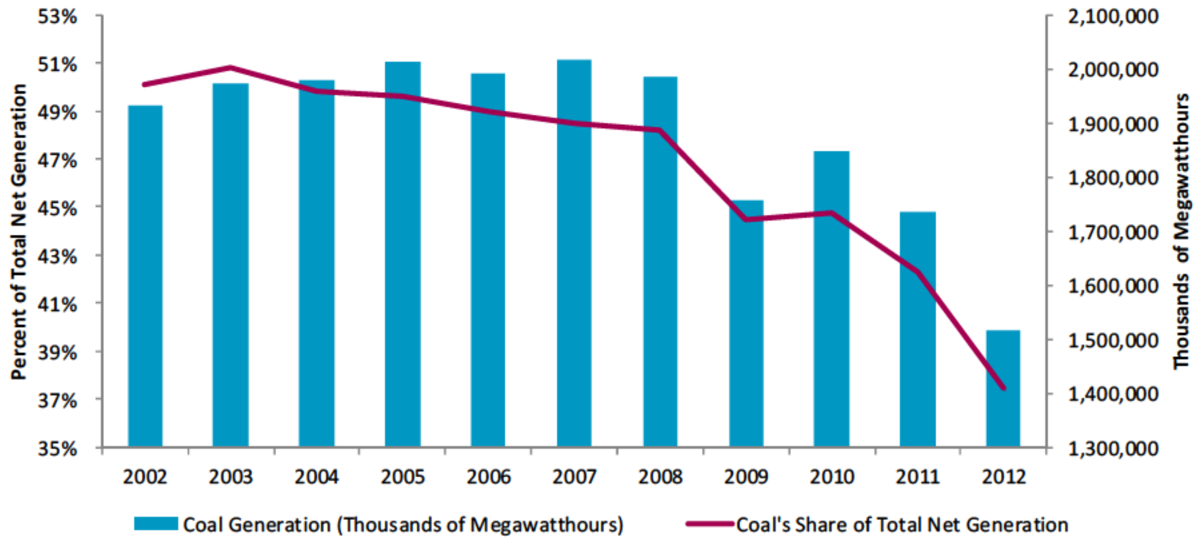
14. The industry will also be adversely impacted by the Environmental Protection Agency's ("**EPA**") New Source Review ("**NSR**") program. The NSR program forces new coal-fueled electricity generation plants to comply with stringent environmental standards that severely limit the economic returns of new plants. Existing coal-fueled electricity generation plants could also be required, under certain circumstances, to install more stringent air emissions control equipment currently required for new plants. Patriot's customers could be subject to NSR enforcement actions and, if found not to be in compliance, could be required to install additional high-cost equipment or close impacted plants. The EPA has predicted that its enforcement of the NSR program will, in particular, lead to the closure of aging, coal-fueled electricity generation plants.[5]

15. The overall impact of low natural gas prices and increased environmental regulatory costs has been to greatly decrease the amount of electricity produced from coal. Coal-

[5] Source: Patriot Coal Corporation 10-K, dated December 31, 2012.

fueled electricity generation decreased an average of 4% per year from 2007 to 2011 and an additional 12% in 2012.[6]

**Graph 2: Historical Coal Electricity Generation**



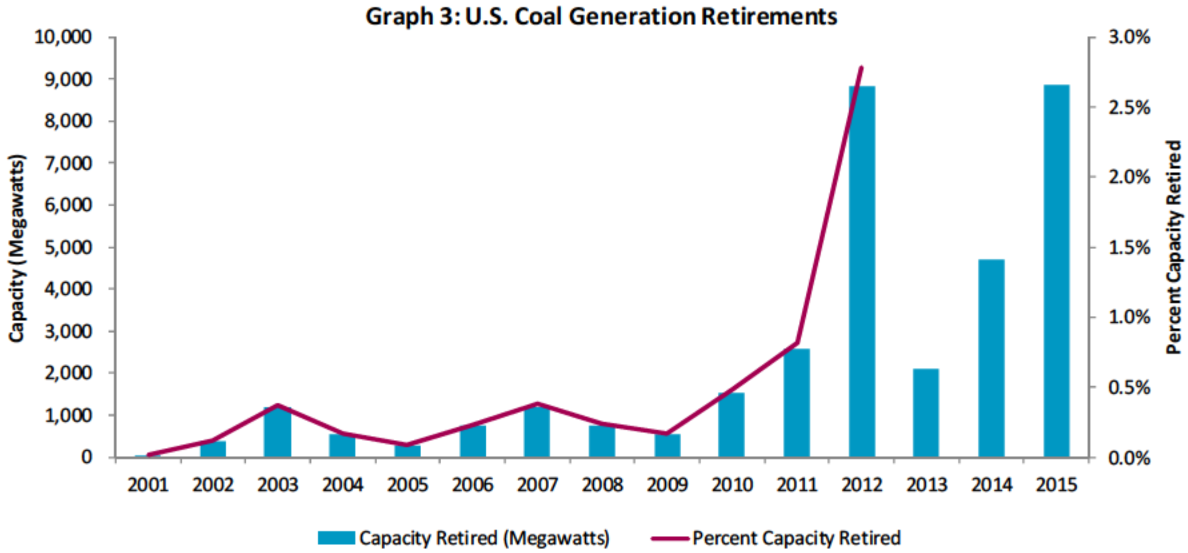

Source: EIA Electricity Monthly Update released February 25, 2013.

16. Furthermore, it is estimated that 8,825MW of coal-fired generation capacity was retired in 2012, with an additional 15,658MW announced to be retired during 2013-2015. These total retirements of 24,483MW represent approximately 8% of the coal-generation capacity that existed at the beginning of 2012.[7] These end-user retirements will further decrease future demand for thermal coal.

---

[6] Source: U.S. Energy Information Administration ("**EIA**").

[7] Source: EIA Electric Power Annual, 2011.




*Source: U.S. Energy Information Administration. Capacity represents Total Net Summer Capacity.*

17. The reduction in demand described above has led to a rapid and sustained decrease in thermal coal pricing. The price of Central Appalachian ("**CAPP**") coal[8] has decreased 19%, from $75.50 per ton at the end of 2010 to $61.00 per ton as of March 1, 2013. Northern Appalachian ("**NAPP**") coal prices[9] have decreased 12%, from $65.00 per ton at the end of 2010 to $57.00 per ton as of March 1, 2013. Illinois Basin ("**ILB**") coal prices[10] have decreased 16%, from $49.50 per ton at the end of 2010 to $41.50 per ton as of March 1, 2013. As Patriot's thermal coal sales are predominantly from Central Appalachia (47% of 2012 thermal coal sales revenues), Patriot has been disproportionately affected by the steeper decrease in CAPP coal prices relative to NAPP and ILB prices.

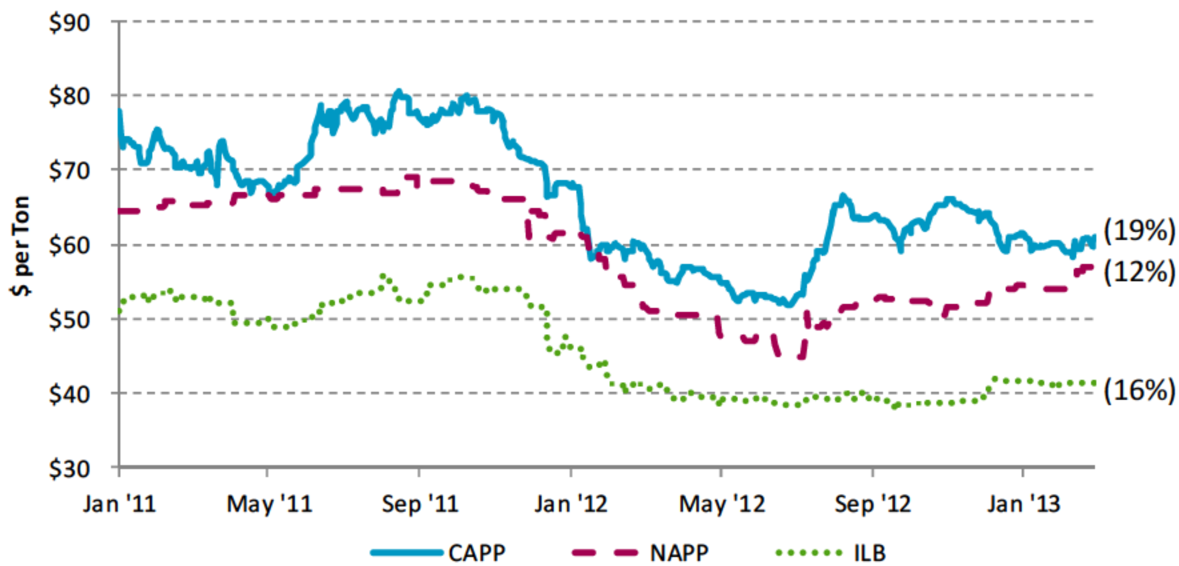
---

[8] Measured by the CAPP CSX index for coal to be delivered in the next month with a 12,500 Btu heat content and 1% sulfur.

[9] Measured by the NAPP MGA index for coal to be delivered in the next month with a 13,000 Btu heat content and 4.5 lbs. $SO_2$

[10] Measured by the ILB barge index for coal to be delivered in the next month with a 11,500 Btu heat content and 5.2 lbs. $SO_2$

**Graph 4: Eastern U.S. Thermal Coal Historical Pricing**




*Source: ICAP. Pricing for prompt month delivery.*

18. In reaction to lower thermal coal pricing, mining companies (i) have significantly reduced production, which would be unprofitable at these lower price levels, and (ii) are opening modern, low cost mines. It is estimated that in 2012, 80 million tons of thermal coal production (approximately 9% of expected total) were taken off the market.[11] Patriot itself removed 4 million tons of thermal coal production from the market in 2012

19. Partially offsetting the reduction in production, Patriot's competitors are investing in new low-cost thermal mines that will reset the incremental marginal cost for mining coal and may further depress prices. Recent examples are Foresight Energy's Hillsboro, Sugar Camp and Williamson mines in ILB, as well as Alliance Resources' Tunnel Ridge mine in NAPP. These modern, longwall mines are staffed predominantly by less expensive, non-union labor and can extract coal at considerably lower cost and, therefore, sell coal profitably at prices below higher-

[11] Sources: Doyle Trading Company, dated November 30, 2012; Energy Ventures Analysis, Inc., "Quarterly Coal Production Report – Weekly Update," dated January 25, 2013; Patriot.

cost producers. This economic reality may force additional mine closures and job cuts at those higher-cost producers.

***Metallurgical Coal Markets***

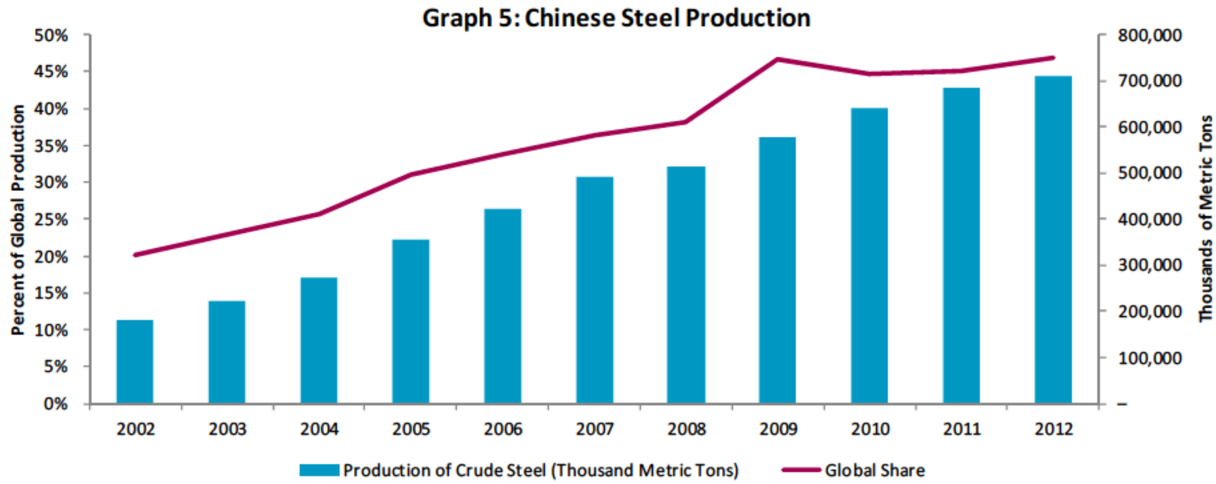
20. Metallurgical, or coking, coal is an input in the steel production process. Metallurgical coal has certain specific chemical qualities and, therefore, generally has a higher price than thermal coal. Demand for metallurgical coal and, therefore, pricing is correlated to domestic and global economic output, particularly manufacturing and infrastructure spending. Metallurgical coal represented 41% of Patriot's coal revenues in 2012.

21. Metallurgical coal production and pricing have been highly volatile over the past five years. Recent production levels and prices are significantly lower today than they were only 24 months ago, as current worldwide economic conditions have adversely affected metallurgical coal demand. Metallurgical coal is a key input in the steel production process, and reduced infrastructure spending in the United States, Europe and China, combined with weak overall macroeconomic conditions, has limited the demand for steel products. In the second half of 2012 compared to the first half of 2012, steel production decreased 8%, 8% and 1% in the United States, the European Union and China, respectively.[12]

22. The long-term trends in Chinese infrastructure spending, and the large amounts of steel required for construction projects in that country, have had a particularly significant impact on metallurgical coal demand. Over the past several years, China has accounted for approximately 45% of global steel production, a dramatic increase from only 20% in 2002. From 2001 to 2011, annual growth in Chinese steel production averaged 16% per year. During

[12] Source: World Steel Association.

2012, however, that growth rate slowed to 4% over 2011.[13] As stated above, the second half of 2012 has actually shown a 1% contraction in Chinese steel production versus the first half of the year.




*Source: World Steel Association.*

23. Supply of metallurgical coal from Australia and other countries has further amplified metallurgical coal price volatility. Australia is the world's largest coal exporter and accounts for approximately half of all metallurgical coal exports.[14] In early 2011, flash flooding in Australia led to sharp supply reductions that significantly increased the price of metallurgical coal. Workers for BHP Billiton in the Bowen Basin also went on strike, further limiting supply and driving prices even higher. When these supply shocks were eliminated, however, metallurgical coal supply returned to more normalized levels and prices dropped. This occurred in the third quarter of 2012, immediately prior to the time of year when many annual metallurgical coal contracts are renewed and pricing is reset. Furthermore, exports from new

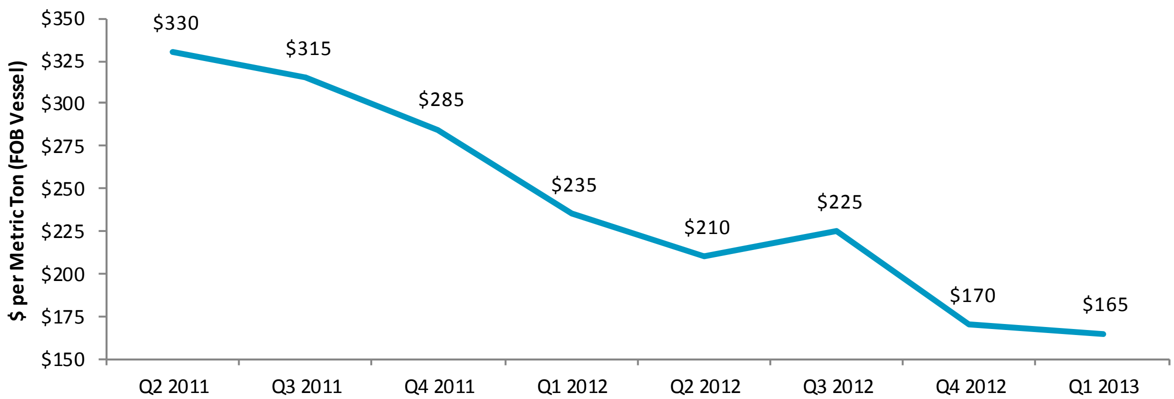
[13] Source: World Steel Association.

[14] Source: EIA, "2013 Annual Energy Outlook Early Release."

global coal market entrants, like Mongolia and Mozambique, have accelerated and are expected to contribute to an increase in global supply.

24. These shifting supply and demand dynamics have caused metallurgical benchmark pricing to steadily decrease from $330 per metric ton in the second quarter of 2011 to an average price of $210 per metric ton in 2012, a 36% decrease.[15] The benchmark has continued to drop recently, hitting $165 per metric ton in the first quarter of 2013, a further 21% decrease from the 2012 average and a 50% decrease from its high in the second quarter of 2011.

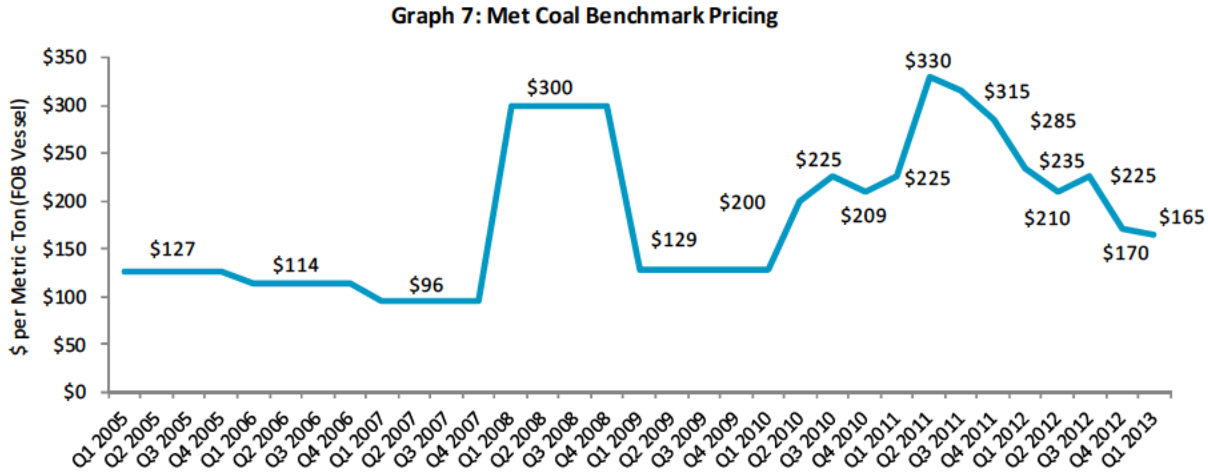
**Graph 6: Met Coal Benchmark Pricing**




*Source: News and equity research reports.*

25. This significant drop in metallurgical coal prices over the last eighteen months is not an aberration or mere price volatility. Rather, this price decline appears to be a regression of metallurgical coal prices to historical norms.

[15] Benchmark metallurgical coal pricing is determined quarterly based on negotiated coal supply agreements to sell Peak Downs hard coking coal, a premium, low-volatility metallurgical coal out of Australia. It is often used as a guide to pricing trends throughout the industry. It differs from spot coal pricing, which reflects daily spot trades rather than longer-term coal supply agreements.




*Source: News and equity research reports.*

26. In response to falling metallurgical coal demand and pricing, 14 million tons (approximately 16% of total expected production) of U.S. metallurgical coal production was idled in 2012.[16] Patriot itself reduced its projected metallurgical coal production by approximately 2 million tons in 2012 by temporarily idling or closing various mines and/or sections at the Wells mining complex, the Kanawha Eagle mining complex and the high-quality Rocklick complex due to a lack of demand at profitable prices.

***Operating Costs***

27. While prices for coal and resulting revenues have fallen, operating costs for domestic coal producers have increased, placing further pressure on Patriot. Patriot employs thousands of miners to extract coal from owned and leased coal reserves. This raw coal is washed at preparation plants and then sold to third parties. As such, Patriot's major costs consist of (i) miners' wages and benefits, (ii) acquisition or leasing costs for operating machinery and

[16] Sources: Doyle Trading Company, dated November 30, 2012; Energy Ventures Analysis, Inc. "Quarterly Coal Production Report – Weekly Update," dated January 25, 2013; Patriot.

equipment to mine and wash coal, (iii) electricity, (iv) materials and supplies, (v) lease and royalty payments to landowners from whom it leases reserves and (vi) remediation and reclamation of mine sites as determined by state and federal agencies. Patriot also incurs significant expenses to fund multi-employer pension plans and retiree healthcare and other benefits.

28. Patriot has faced increased operating costs due to (i) increased staffing required as a result of heightened government regulations, (ii) increasingly stringent permitting requirements that reduce Patriot's flexibility by forcing it to mine currently permitted reserves, even if they are higher cost compared to other non-permitted reserves, and (iii) natural depletion of low-cost reserves, resulting in more difficult mining geology and lower yields.

29. In addition to these rising operating costs, Patriot is faced with substantial costs that generally cannot be adjusted in bankruptcy, including costs relating to health benefits for certain retired union miners and their dependents under the Coal Industry Retiree Health Benefit Act of 1992 (the "**Coal Act**") and costs relating to selenium discharge compliance. With respect to selenium, Patriot has been affected by increased surface mining compliance costs from lawsuits, forcing it to build large, expensive treatment facilities to reduce selenium concentrations in water outflows. Selenium is a relatively new cost for U.S. domestic coal producers and, as recently as 2008 Patriot was not spending significant capital on selenium treatment. Patriot now estimates the fair value of its future selenium liabilities at $443 million.[17] In 2012, Patriot spent $44 million on selenium treatment facilities and related activities. Furthermore, Patriot has recorded $289 million in additional asset retirement obligations associated with reclamation, which involves the restoration of surface land to its original state

[17] Source: Patriot Coal Corporation 10-K, dated December 31, 2012.

following mining activities, water treatment (excluding selenium), and mine closures. In 2012, Patriot spent approximately $47 million on these obligations.

30. Thus, these fixed and unchangeable costs are being incurred (and, in fact, increasing) at the same time that Patriot's revenues have decreased due to the decline in coal prices and demand.

## II. Patriot's Financial Forecasts

***July DIP Plan***

31. Blackstone was engaged by Patriot in May 2012 to, among other things, assist in a review of the Company's finances and its business plan in anticipation of a refinancing or restructuring transaction. Blackstone began an intensive process of working with Patriot's management to develop a detailed, long-term financial forecast for Patriot's operations. In addition to Blackstone, AP Services, LLP ("**Alix**") was hired by the Company to assist on financial matters, including fulfilling the role of Chief Restructuring Officer. The financial forecast updated Patriot's previous five-year business plan and was used as the basis for securing the Debtors' debtor-in-possession financing (the "**DIP Facility**"). The plan was finalized on July 9, 2012 and is referred to herein as the "**July DIP Plan**."

***Five-Year Business Plan***

34. Unfortunately, following the preparation of the July DIP Plan, coal market fundamentals, particularly for metallurgical coal, continued to weaken substantially. As a result, Patriot, with the assistance and advice of Blackstone and Alix, developed the more detailed Five-Year Business Plan in October 2012 that, among other things, updated the July DIP Plan with new coal pricing (as illustrated in Table 2 below). Reflecting weaker price expectations, the Five-Year Business Plan included lower realized coal prices than the July DIP Plan, most significantly in the metallurgical coal portion of the business.

35. The reduced pricing forecast lowered EBITDA by

These changes also led Patriot to review its mine production schedule in light of the anticipated weak market demand for its products. This review followed detailed analysis by Patriot management and Blackstone to understand the cash flows at each mining complex and the impact of each complex's performance on Patriot's liquidity. These analyses resulted in the decision to idle certain mines that were draining Patriot's short-term cash flow.

Patriot management believed that there was no longer a profitable long-term contract market for this coal and that adding this supply to the market could only be done at spot prices that are unprofitable and substantially lower than those prices assumed in the Five-Year Business Plan.

## III. <u>Cost Savings Other Than Section 1113/1114 Savings</u>

36. Due to Patriot's declining financial performance and the challenges facing the coal industry over the last two years, Patriot has been forced to aggressively reduce costs to attempt to improve its cash flow profile. Patriot first sought cuts from (i) contract rejections and

renegotiations, (ii) debt restructuring, (iii) reductions in capital expenditures and (iv) non-union labor and retiree savings.

37. Both the July DIP Plan and the Five-Year Business Plan reflect cash savings from evaluating the Company's executory contracts. Patriot and Alix reviewed, in detail, savings that would result from various contract initiatives, including (i) termination of overriding royalty payment agreements, (ii) renegotiation or rejection of coal supply agreements and (iii) other contract rejection initiatives.

38. Patriot also sought bankruptcy protection to restructure its unsecured debt obligations.

39. In connection with the Five-Year Business Plan, Patriot also undertook a careful review of its capital expenditures forecast in an effort to reduce cash outlays and maximize liquidity.

40. In addition, Patriot's management sought savings from its non-union workforce and retirees. These employees, who do not work pursuant to collective bargaining agreements, are already at a lower cost to the Company than UMWA-represented employees in comparable positions. Nonetheless, Patriot reduced non-union salaries and benefits by: (i) eliminating planned non-union and salaried employee compensation increases, (ii) incorporating a 10% employee healthcare premium contribution requirement, (iii) requiring Patriot employees with working spouses to make their spouse's healthcare coverage primary, with Patriot's plans being secondary, (iv) implementing healthcare plan changes, including formulary changes, to reduce prescription drug costs, and (v) eliminating non-union retiree healthcare.

41. As set forth in Table 4 below, the total cash savings, other than section 1113 and 1114 savings, included in the Five-Year Business Plan for years 2013 through 2016 is

For further detail regarding Patriot's non-labor and non-union cash savings initiatives, please see the declaration of Bennett K. Hatfield, dated March 14, 2013.

42. Notwithstanding these cash savings initiatives, many of Patriot's large liabilities generally cannot be discharged in bankruptcy, including, among others, mine site reclamation obligations, selenium treatment obligations, Coal Act costs, workers' compensation obligations and government-required capital spending.

43. Accordingly, and as set forth below, even with the significant cost reduction and capital expenditure minimization efforts detailed above, the Five-Year Business Plan is not

feasible without additional cost reductions as it shows negative cash flows in each of 2013, 2014 and 2015 and negative cash and total liquidity figures throughout.

44. In evaluating Patriot's forecasted financial results, I reviewed projected revenues, operating expenses, capital expenditures, retiree healthcare spending, environmental remediation spending and other cash costs. The projections are based on detailed mine-by-mine operating forecasts prepared by the Company and reviewed by senior management and Blackstone. This forecast includes assumptions regarding Patriot's growth spending, mine plans, future coal price increases and the savings initiatives described above.

## IV. Additional Cash Savings of $150 Million Are Necessary for Patriot to Survive

45. Based on my knowledge of Patriot's cost structure, my extensive involvement in Patriot's cost-cutting initiatives since Blackstone's retention in May 2012 and my years of reorganization and restructuring experience, it is my professional opinion that Patriot has identified and factored into its Five-Year Business Plan all feasible non-union cost savings that could materially improve Patriot's financial condition. Notwithstanding these efforts, Patriot requires approximately $150 million in additional annual cash savings if it is to survive. As a result, Patriot must find savings in (i) its active union wages and benefits and (ii) union retiree healthcare. As illustrated above in Table 6, without such additional savings,

46. To determine the appropriate level of necessary union active labor and retiree healthcare savings, Blackstone and the Company considered many factors. These factors included:

(a) the Company's ability to achieve approximately breakeven cash flows immediately after emergence from bankruptcy;

(b) the Company's ability to generate sufficient future positive cash flow to be able to refinance its debt obligations;

(c) the Company's need for a "cushion" in the event its financial results are worse than forecast; and

(d) the Company's need to keep union wages and benefits at market levels or better to prevent UMWA-represented employees from quitting to work at competitors.

47. In order to obtain exit financing to replace the DIP Facility, Patriot must show that it can service its expenses and interest costs post-emergence.

49. Based on my professional experience and personal involvement in Patriot's restructuring, I believe that prospective exit facility lenders will look for a cash flow forecast that shows some cushion in the event that the Company's or the industry's results do not meet expectations. The savings requested leave very little room for error in the Company's forecasts, highlighting the importance of implementing the proposals quickly. Liquidity saved during the chapter 11 cases may become necessary post-emergence if the business experiences any additional or unanticipated challenges. Further, it is my opinion that prospective exit facility

[22] Patriot's exit facility will be used to repay its DIP obligations.

lenders will focus on the relatively small cushion and require additional certainty that the business's cost structure will remain stable. As such, the terms of the Proposals remain in effect through 2018, providing labor stability through the expected term of the Company's exit financing.

50. Patriot was careful not to request savings that would reduce the overall compensation and benefits package for UMWA-represented employees below the levels earned by non-represented Patriot employees with comparable job responsibilities. Since filing for bankruptcy protection, the Company has struggled with attrition and the high costs of replacing valuable personnel. Savings that incentivize employees to leave Patriot for non-union positions at its competitors would be counterproductive, and the Company's proposals are designed to provide market or higher compensation and benefits to its UMWA-represented employees.

51. In summary, to obtain exit financing, emerge from bankruptcy and survive as a viable enterprise, I believe the Company must be able to secure an additional approximately $150 million of annual savings

Positive cash flow is necessary to demonstrate the ability to repay and refinance the exit financing facility and provide contract counterparties, including the customers that purchase coal from the Company, with assurances that the Company is on sound financial footing. This opinion is based on my years of experience advising debtors in financial restructurings, as well as conversations with potential lending sources.

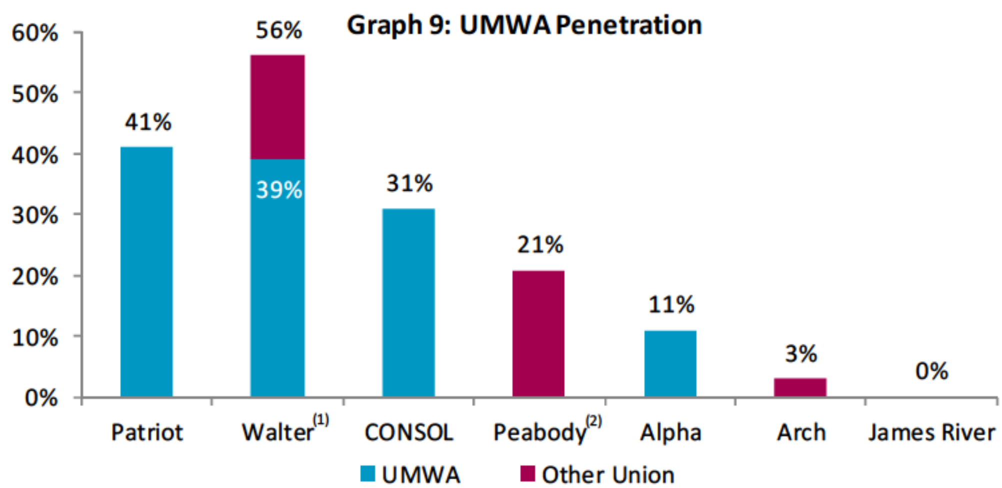
## V. <u>The Proposals</u>

52. Patriot developed the Proposals in order to obtain the additional $150 million in annual cash savings that is necessary for it to survive. The Proposals consist of a section 1113

component reflecting wage and benefit changes for active employees, and a section 1114 component reflecting modifications to retiree healthcare.

***Section 1113: Active Labor Savings***

53. The Section 1113 component of the Proposals is designed to bring Patriot's labor costs at its UMWA-represented operations in line with those at its non-union operations. Of Patriot's approximately 4,200 employees and contractors, 41% are members of the UMWA, and an even greater percentage of Patriot's miners, approximately 57%, are unionized. Patriot has one of the highest union concentrations among major U.S. coal companies, making the Debtors particularly susceptible to union labor costs.




*Sources: Company 10-K filings, except Patriot which is Company data as of February 2013.*
(1) Walter also has employees represented by the United Steelworkers, United Steelworkers of America and the Christian Labour Association of Canada.
(2) 7% of Peabody's domestic hourly employees are represented by the UMWA.

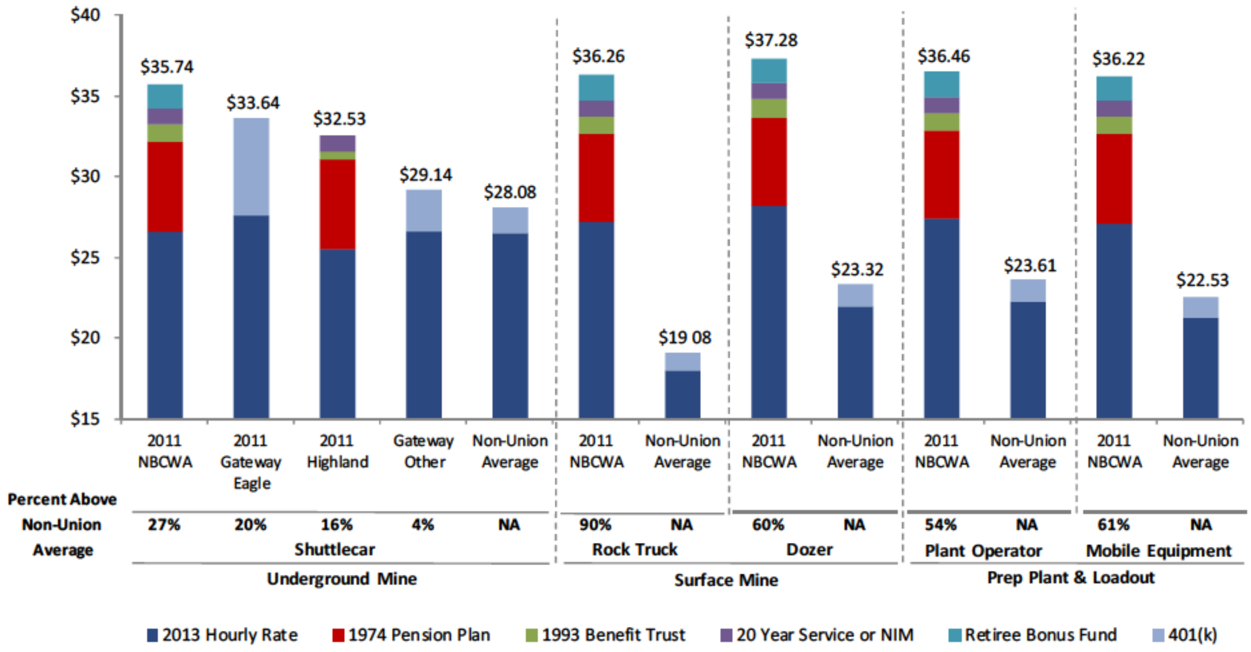
54. Union labor costs constitute a significant percentage of Patriot's projected revenues, and it is impossible to achieve the level of savings Patriot requires without amending those expenses. In 2012, union active labor costs alone consumed approximately 9% of Patriot's revenue.[23]

[23] This figure includes payments made to the 1974 Pension Plan and other UMWA benefit funds.

55. The Proposals are meant to provide the Debtors with the relief necessary to survive and emerge from bankruptcy as a viable enterprise. To do so, the Debtors must better align their union compensation and benefits with the current non-union labor market. Patriot is in a relatively unique position to have direct, relevant compensation data comparing non-union and union miners because many of Patriot's non-union mines have work conditions and geographies similar to its union mines. The median union job costs Patriot a premium of 50% compared to a comparable non-union job, with individual jobs ranging from a discount of 9% to a premium of 90%.[24] As illustrated in Graph 10, Patriot pays its union miners much more than its non-union miners performing the same or similar jobs. Patriot can no longer afford to pay these high and unsustainable wages and benefits in an environment of declining UMWA representation amongst its peers.

[24] Cost comparisons are based upon a survey of 18 underground mining jobs, 18 surface mining jobs and 19 preparation plant jobs, comparing the hourly costs of UMWA employees (including wages, pension and other contributions directly related to UMWA hours worked) with wages at comparable non-union positions. The cost comparisons do not include future costs such as retiree healthcare obligations.

Graph 10: Per Hour Cost Comparison




*Source: Company data.*

56. Accordingly, the section 1113 component of the Proposals reflects wage and benefit levels that are consistent with the levels provided to Patriot's non-union employees.

57. In addition to changes to wages and benefits for active employees, the section 1113 proposal provides that Patriot will withdraw from the UMWA 1974 Pension Plan and Trust (the "**1974 Pension Plan**"). The 1974 Pension Plan, a multi-employer pension plan established under the NBCWA of 1974, provides pension benefits to eligible mine workers who retire or become totally disabled as a result of mine accidents and to eligible surviving spouses of mine workers. Required contributions to the 1974 Pension Plan have increased materially in recent years and will continue to do so in the near future. In 2007, the contribution rate was $2.00 per UMWA-hour worked; it is currently $5.50 per UMWA-hour worked and is expected to increase to a minimum of $12.50 per UMWA-hour worked in 2017 and to $23.50 per UMWA-hour

worked in 2021.[25] Future contribution rates, and even the very survival of the 1974 Pension Plan, are determined by negotiations between the UMWA and the Bituminous Coal Operators' Association ("**BCOA**"). The BCOA, which consists entirely of companies affiliated with CONSOL Energy, Inc. ("**CONSOL**"), may negotiate contribution rates that Patriot cannot afford but is powerless to influence. Withdrawal from the 1974 Pension Plan will enable Patriot to avoid making these substantial, unsustainable and uncontrollable pension payments. In 2012, Patriot spent approximately $21 million on contributions to the 1974 Pension Plan.

In addition, Patriot's exact exposure to pension contributions post-2016 is difficult to precisely predict because of uncertainty about what exactly will happen to the dramatically underfunded 1974 Pension Plan, but Patriot's required contributions have the potential to dramatically increase from that point forward. Withdrawal from the 1974 Pension Plan will eliminate the uncertainty inherent in future contribution rates and, in my opinion, provide comfort to prospective lenders providing Patriot's exit financing facility.

58. As set forth in Table 7 below, the Five-Year Business Plan contemplates that the active labor savings reflected in the Proposals will begin in April 2013 and are projected to be per year.

[25] Source: Funding Improvement Plan, dated May 25, 2012.

59. Given the anticipated timing of the section 1113 proceeding, it is likely that these changes will not be implemented by April 1, 2013 at the earliest and that the savings amount for 2013 will be materially lower than that forecasted in the Five-Year Business Plan.

***Section 1114: Retiree Healthcare Savings***

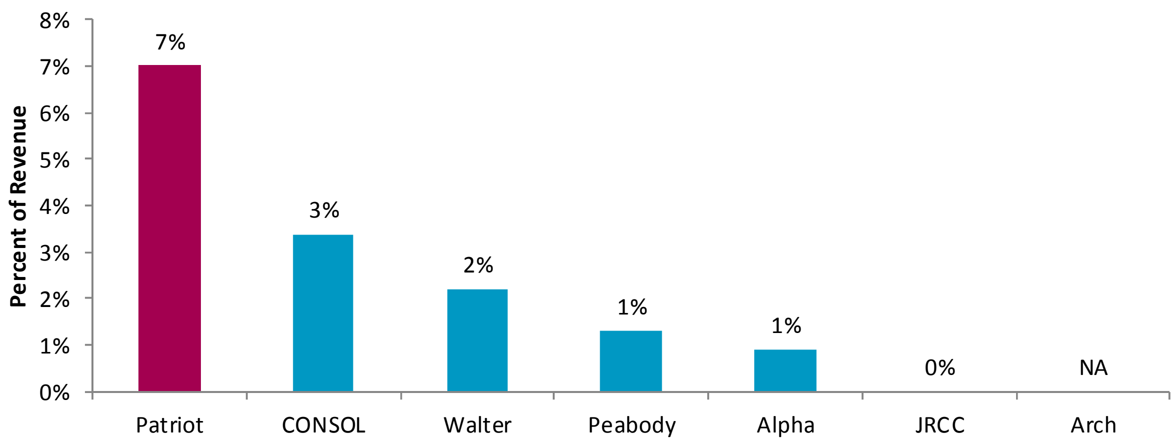
60. The Section 1114 component of the Proposals provides for the transition of retiree healthcare to a Voluntary Employee Beneficiary Association ("**VEBA**"), as described below and in the memorandum filed in support of the Motion. It is my opinion that these changes are necessary because Patriot simply cannot afford to sustain these healthcare obligations, which cost more than $65 million in 2012 and are expected to cost more than by 2016, excluding Coal Act benefits.

61. In fact, the population of retirees receiving benefits far exceeds Patriot's active workforce. While Patriot employs approximately 4,200 employees and contractors, it pays for or administers retiree healthcare benefits to approximately 21,000 retirees and dependents. Benefits provided to Patriot's UMWA retirees are extremely costly, as these retirees typically (i) pay no premiums, (ii) receive free mail-order prescription drugs, (iii) make $12 co-payments for in-network physician visits, and (iv) have out-of-pocket costs, including co-payments, capped at $240 per family per year for in-network providers.

62. Retiree healthcare costs constitute a large portion of Patriot's expense structure. In 2012, retiree healthcare cash spending accounted for approximately 4% of Patriot's revenue[26] (Patriot's retiree healthcare expense is even higher at 7% of revenue, reflecting accruals for active employees and GAAP accounting methods that measure the economic, rather than cash, costs).

63. Not only does Patriot have substantial retiree healthcare costs, but those costs far exceed those of its competitors. In particular, as illustrated in Graph 11 below, Patriot's retiree healthcare costs constitute a far greater portion of its revenue than any of its peers.

**Graph 11: OPEB[(1)] Expense as Percent of Revenue**




*Source: Company Filings*

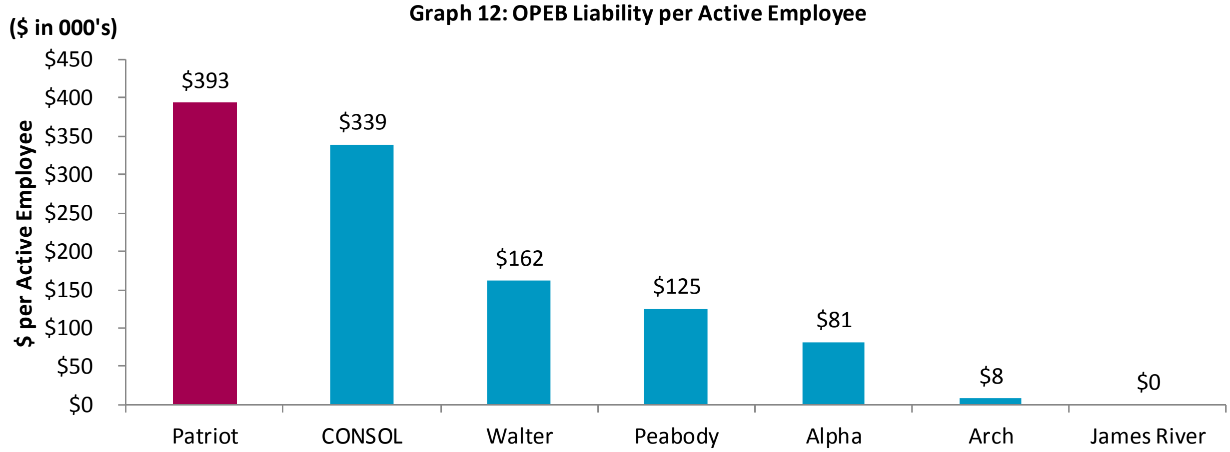
Note: Arch has negative expense due to curtailments and amortization of prior service credits and actuarial gains.
(1) OPEB (Other Post-Employment Benefits) represents retiree health care costs.

64. Furthermore, as seen in Graph 12 below, Patriot's OPEB liabilities per active employee are significantly higher than those of its competitors. For example, while Patriot has OPEB liabilities equal to approximately $393,000 per active employee, Walter Energy, Inc. has OPEB liabilities equal to approximately $162,000 per active employee, Peabody Energy Corporation has OPEB liabilities equal to approximately $125,000 per active employee, Alpha

[26] This figure excludes spending on the 1974 Pension Plan, Combined Fund, 1992 Benefit Fund and 1993 Benefit Fund.

Natural Resources, Inc. has OPEB liabilities equal to approximately $81,000 per active employee, Arch has OPEB liabilities equal to approximately $8,000 per active employee, and James River Coal Company has no OPEB liabilities. CONSOL is the only company whose per-employee OPEB liabilities costs are anywhere near Patriot's. CONSOL, however, is better able to satisfy its high OPEB obligations than Patriot is for two main reasons: (i) more than 92% of its coal mining operations are longwall mining operations, which is a lower-cost, higher-margin mining method;[27] and (ii) CONSOL produces and sells both coal and natural gas and is therefore better insulated than Patriot from the downturn in coal demand and pricing.

**Graph 12: OPEB Liability per Active Employee**




*Source: Company filings.*

65. The Five-Year Business Plan contemplates that retiree healthcare savings begin in April 2013, simultaneously with the beginning of the funding of the VEBA.

[27] By contrast, Patriot employs longwall mining in only two of its mining complexes.

66. During negotiations with the UMWA and subsequent to the development of the Five-Year Business Plan, Patriot enhanced the VEBA proposal in several ways. First, the proposed funding amount was increased to $15 million, to be paid in a lump sum at the outset instead of over time. Second, the date on which healthcare would be transitioned to the VEBA was extended to July 1, 2013 in order to provide more time for the union to establish the VEBA and monetize its claim (as described below). Third, a more generous profit-sharing component was added to the Proposals through which the VEBA would potentially share in any significant improvement in Patriot's financial condition in the years to come. Given these changes, the cash savings associated with the section 1114 component of the Proposals will be materially lower in 2013 than the amount forecasted in the Five-Year Business Plan.

67. A significant funding source for the VEBA will be an unsecured claim against the Debtors' estate. The value of the unsecured claim may be substantial, potentially generating hundreds of millions of dollars in cash for the VEBA to the extent the claim is monetized.

68. As of December 31, 2012, the total liabilities categorized by the Company for accounting purposes as liabilities it expects to compromise in these cases amounted to approximately $2.3 billion. This number may increase, as additional claims may arise in the future as the Company proceeds through the bankruptcy process. Of the approximately $2.3

billion of liabilities subject to compromise, approximately $1.022 billion relates to Patriot's unionized retiree healthcare liabilities for current retirees, excluding Coal Act liabilities.[28]

69. While it is still too early in these cases to determine how much cash the UMWA will be able to generate on account of this unsecured claim, the financial markets have reflected trading in other unsecured claims of the Company, indicating potential ranges of projected recoveries for the unsecured claims. Other unsecured claims being traded have been quoted at market prices ranging from approximately 13% to 49% of face value.[29] Thus, a large unsecured claim, like the potential retiree healthcare claim, may prove to have significant value to its holders. For example, if the potential section 1114 retiree healthcare claim is ultimately allowed at the estimated level of approximately $1.0 billion, the current market price range of 13% to 49% would imply recoveries to the retiree healthcare claim of up to approximately $500 million.[30] Of course, actual recoveries will depend on a large number of factors, including, but not limited to, the financial performance of the Company, overall financial market conditions, and negotiations of an actual Plan of Reorganization among the various creditor groups of the Company resolving complex issues regarding the size, nature and effective priority of various claims, among other things.

---

[28] Source: Patriot Coal Corporation 10-K, dated December 31, 2012. The UMWA is expected to argue that rejection of the collective bargaining agreements pursuant to section 1113 gives rise to an unsecured claim, at least with respect to the future entitlement of currently active employees to healthcare when they retire. Outside the context of a consensual deal, the Debtors would argue that the UMWA is not entitled to an unsecured claim with respect to such rejection. For purposes of the analysis described in this section, I have assumed that the UMWA will obtain an unsecured claim only for the rejection of retiree healthcare pursuant to section 1114. If the UMWA prevails in its argument, however, the value of any such claim will be even higher than the estimates reflected herein.

[29] Source: Bloomberg as of March 1, 2013. Pricing data is for Patriot's 8.25% Senior Notes and 3.25% Convertible Senior Notes.

[30] In the context of a negotiated solution with the UMWA, the UMWA may be granted an additional, negotiated claim for damages under section 1113 that would increase the size and potential value of its claim.

70. Significantly, Patriot's Third and Fourth Proposals contain a detailed mechanism through which the Debtors and the UMWA would cooperate in a process to monetize the union's claim, as has been done in other major bankruptcy cases, such as the Delphi Corporation, Dana Corporation, and Delta Air Lines, Inc. bankruptcy cases. This process could result in a substantial cash contribution to the VEBA as soon as June 1, 2013, even before healthcare is transitioned to the VEBA. This proposal reflects the common sense reality that the only way to determine with certainty the value of the UMWA's unsecured claim is to take that claim to the marketplace, preferably in a coordinated process that is designed to maximize its value. Unfortunately, the UMWA rejected the Proposals out of hand.

***The Effect of the Proposals***

72. Further, while the Five-Year Business Plan represents Patriot's best estimate of its future financial performance, Patriot's actual results are subject to many factors that are outside

of the Company's control. In particular, Patriot is unable to definitively predict coal prices, which play a significant role in determining the revenue Patriot is able to achieve from its coal sales. As a result, it is important that Patriot not only remain viable in a base case scenario (which, without the proposed union active labor and retiree healthcare savings, it is not), but that a liquidity cushion exists in order to survive temporary difficulties and unforeseen events.

If

Patriot is to survive, it must be able to demonstrate that it can tolerate revenues that are below its forecast.

73. Patriot's near-term liquidity forecast necessitates that the Company receive these savings as soon as possible to avoid running out of cash and forcing a liquidation. Patriot's operations significantly deteriorated in 2012. Coal sales declined 21%, from \$2.4 billion in 2011 to \$1.9 billion in 2012. Adjusted EBITDA declined 45%, from \$177 million in 2011 to \$97 million in 2012.[31] Patriot's net loss more than quintupled, from a loss of \$139 million in 2011 to \$731 million in 2012.

74. Further, the Debtors' cash flow will continue to be adversely impacted as existing coal supply agreements, which were priced in a more favorable coal market, terminate and are replaced by lower-price contracts in 2013. The Debtors averaged revenue of \$75.47 per ton during 2012, whereas currently priced coal agreements average [32] As market prices remain below these levels, it is anticipated that Patriot's average revenue per ton will

[31] Adjusted EBITDA is defined as net income (loss) before deducting depreciation, depletion and amortization; asset retirement obligation expense; sales contract accretion; impairment and restructuring charge; interest expense and other; DIP Facility financing fees; interest income; reorganization items; and income taxes.

[32] As of March 8, 2013.

continue to decrease as additional coal supply agreements are signed.

***The Proposals Are Necessary for Exit Financing***

78. The union active labor and retiree healthcare concessions that Patriot has asked for are also necessary for the Company to receive the financing it needs to emerge from bankruptcy. I do not believe that Patriot will be able to raise exit financing that will allow it to emerge from bankruptcy without the implementation of the Proposals. In my opinion, prospective exit facility lenders will not lend into a reorganized Patriot that continues to burn cash and is projected to run out of money shortly, as it presents too much risk that the Company is not "fixed" and that their loans will not be repaid or refinanced in full.

79. Based on my experience during the Company's DIP financing process, I believe it is highly unlikely the Company could raise exit financing without the requested savings. The Company's DIP lenders had requested a milestone covenant requiring the Company to receive relief under 1113/1114 or be in default under the loans. A milestone covenant is a promise by the borrower to achieve a certain result, in this case obtain a certain level of 1113/1114 savings, or else the loan may accelerate and come due. The lenders relented on their request only when Patriot agreed to an EBITDA covenant that would be impossible to achieve without the contemplated labor and retiree healthcare cost relief. As discussed previously, coal markets and Patriot's financial prospects have only deteriorated since raising the DIP loan, making emergence without the requested savings unlikely.

80. In my opinion, it is unlikely the Company will be financeable at exit while in breach of its DIP liquidity covenant and while generating negative cash flow. I also believe that the forecast must show that Patriot will generate enough positive cash flow to pay down a portion of its loans and put itself in a position to refinance its debt as it comes due. The level of savings requested by the Company is necessary to meet both goals.

81. While the UMWA has claimed that litigation against Peabody and/or Arch could provide Patriot with additional liquidity, the prospect of future litigation proceeds is not sufficient for the Company to source exit financing or transact in the ordinary course of business. While Patriot is exploring many potential options to recover damages as a result of the spin-off

[34] As of December 31, 2012.

and Magnum acquisition, any recovery will be both speculative and delayed. At this time, Patriot cannot quantify the potential damages or likelihood of success of litigation against Peabody and Arch. As such, in my opinion, Patriot's lenders and contract counterparties will require that Patriot's liquidity needs be met even without a litigation recovery.

82. Based on my observations and projections regarding Patriot from Blackstone's engagement in May 2012 to the present, it is my view that Patriot has the ability to emerge successfully from chapter 11 if, and only if, it is able to achieve the proposed reductions to active labor and retiree costs.

## VI. UMWA Counterproposals

83. As the Court may be aware, the Company and the UMWA have been attempting to reach a consensual solution to the Company's liquidity issues since early November 2012. The Company and its advisors have responded quickly to UMWA data requests and provided the UMWA with over 3,800 megabytes of data, or approximately 43,000 pages.

84. In the course of negotiations, the UMWA has provided the Company with its own counterproposals. The Company has quantified the impact of the UMWA's concessions and determined that those concessions would result in only $18 million of total savings for the years 2013 and 2014, the Company's most difficult years, and only $15 million of savings in 2015.[35] It is my opinion that this level of savings is not remotely sufficient to satisfy the DIP Facility covenants, raise an exit facility or continue as a going-concern.

85. In addition to not providing sufficient cost savings to materially impact the Company, provisions in the UMWA's most recent counterproposal (i) preventing compensation

[35] For further detail regarding Patriot's quantification of the savings from the UMWA's proposals, please see the declaration of Dale F. Lucha, dated March 14, 2013.

increases for all non-union employees without eliminating the negotiated union labor savings, (ii) eliminating the savings if a Plan of Reorganization is confirmed that the UMWA does not support, (iii) providing for a so-called "snap-back" of the savings, (iv) providing the UMWA with a profit sharing structure that pays out 7.5% of EBITDA with minimum, guaranteed payments (even if the Company is not profitable) and (v) requiring a rights offering and additional debt to fund the VEBA. These proposals would inhibit the Company from competing effectively post-emergence.

86. The UMWA's counterproposal requests a purported "equality of sacrifice," wherein no non-union employee may receive any increase in compensation or benefits under virtually any circumstance. This request ignores the reality of the job market. Like any company, Patriot needs to retain flexibility with respect to compensation issues for all of its employees (union and non-union) to retain experienced personnel and conduct operations safely and profitably. The Proposals still ensure that Patriot's UMWA-represented employees are paid at or above the market, and the Company's intention is to continue to compensate them in a way that will encourage them to continue to work at Patriot. Patriot needs to similarly pay its non-union employees at market rates to operate smoothly at its non-union and corporate operations.

87. The UMWA also proposed that any agreement would terminate if a Plan of Reorganization for which the UMWA is not a co-proponent is confirmed. Patriot cannot grant the UMWA an effective veto right over a Plan of Reorganization. Such a right would render any concessions illusory and is inconsistent with Patriot's obligation to support a Plan of Reorganization that is in the best interest of all stakeholders, not merely the UMWA. Further, it will become more difficult to work with Patriot's DIP Facility lenders to extend the DIP Facility if emergence is effectively subject to the UMWA's consent.

88. The UMWA also sought an automatic "snap-back" that would result in the automatic reduction of any concessions made by the UMWA on December 1, 2016, more than two years earlier than the provision in Patriot's 1113 Proposal, regardless of the Company's financial position. This provision is problematic for two main reasons. First, it would shorten the duration of the Proposals, which extend through 2018, by two years. In order to demonstrate stability and predictability to potential lenders or investors, it is my opinion that the Company requires that the annual cash savings reflected in the Proposals remain in effect for the long-term, through at least 2018. Based on my professional experience in this and other restructurings, prospective lenders or investors will not be interested in investing in a company whose cost structure may change dramatically in the middle of the term of the exit financing facility. Second, there is no basis for wages or benefits to automatically return to their current levels when it is time to negotiate a new collective bargaining agreement. At that time, the parties will negotiate with one another in the ordinary course, and, if they are unable to reach an agreement, the status quo will remain in place as it would whenever a new collective bargaining agreement is negotiated.

89. Additionally, the snap-back provision would give the UMWA the right to demand arbitration once per calendar year over the question whether all or part of the concessions should "snap back" on equitable grounds. In my opinion, this element of the proposal is unworkable because of the uncertainty it would create for Patriot's post-emergence cost structure and, therefore, its ability to source exit financing and emerge from bankruptcy. The cyclical nature of coal pricing makes it very possible that, for a period of time, profits may increase, only to be followed by another decrease to current levels. Reinstating the current labor agreements will once again leave Patriot in a position where it cannot effectively compete and must again seek

chapter 11 protection. With so much downside, lenders will be reluctant to provide financing for the Company. The Company's proposed profit-sharing mechanism allows the UMWA to receive a financial benefit from improved performance without materially impacting the Company's ability to refinance its DIP Facility.

90. The UMWA's proposed profit-sharing structure is also problematic. First, the minimum threshold provides that payments must be made even if the Company is losing money and unprofitable. Second, EBITDA is a poor measure of profitability for this purpose, as it does not capture the financial drain of the Company's interest expenses, legacy labor costs, environmental obligations and capital spending. As a result of these two provisions, the Company may be forced to make payments to a junior stakeholder (the VEBA) even if it is not cash flow positive and cannot afford the interest on its exit financing facility. It is my opinion that this provision will make the Company unattractive to lending sources and further complicate Patriot's emergence from bankruptcy.

91. The UMWA has also requested that the Company immediately fund the VEBA with a combination of cash from a \$750 million rights offering and a \$400 million secured, convertible note from Patriot. In my opinion, this structure is not feasible for several reasons, including (i) Patriot will be unable to obtain exit financing to repay its DIP loans with an additional \$400 million of debt on its balance sheet and (ii) it is unlikely the Company can find a backstop provider(s) to fund \$750 million of equity into the Company. To repay its DIP loan, Patriot will need over \$800 million of financing at exit. With a \$400 million note to the VEBA, this will put \$1.2 billion of debt on the Company. Without a material improvement in the Company's prospects, it will be unable to obtain exit financing or a rights offering backstop provider with that leverage profile. As noted above, Patriot has proposed a detailed mechanism

through which the union's claim could be monetized promptly and a substantial cash contribution made to the VEBA.

92. Finally, the UMWA's proposed governance provisions will make it impossible to raise the equity required in the rights offering to fund the VEBA. Despite proposing to monetize a significant portion of its claim through the rights offering and note, rather than convert its debt into equity like other unsecured claimants, the UMWA has demanded a special class of voting shares and enhanced governance rights that would give the union significant control over the Company. In my opinion, investors will not make a significant investment into Patriot without being able to have the voting and governance rights that would normally accompany such an investment.

## VII. <u>Conclusion</u>

93. The level of cash savings requested by Patriot is necessary for the Company to receive exit financing and continue to transact in the ordinary course of business. It is critical that Patriot receive the union labor and retiree healthcare savings contemplated by its Proposals as soon as possible to enhance their impact, mitigate the current liquidity crisis and avoid liquidation.

I, Paul P. Huffard, declare under penalty of perjury that the foregoing is true and correct.

Dated: New York, New York
March 14, 2013

/s/ Paul P. Huffard
Paul P. Huffard
Senior Managing Director
Blackstone Advisory Services L.P.

REDACTED

# APPENDIX A

## Materials Considered and/or Relied Upon

**I. Public Resources**

- Bloomberg Financial Data
- Daiwa Capital Markets, *Coal Price Outlook* (April, 2011)
- Daiwa Capital Markets, *Coal Price Outlook* (August, 2012)
- Daiwa Capital Markets, *Coal Price Outlook* (October, 2010)
- Doyle Trading Consultants Report (November 30, 2012)
- Energy Ventures Analysis, Inc., *Quarterly Coal Production Report – Weekly Update* (January 25, 2013)
- ICAP Energy, daily coal prices
- Iron Ore Team, "BHP, Nippon Q1 Coking Coal Settlement Down" (December 7, 2012)
- Morgan Stanley Research, *Coal Dynamics: Current Trends and 2013 Outlook* (November 29, 2012)
- SEC Public Filings
- SNL Financial, LC, Henry Hub Spot Prices
- U.S. Energy Information Administration, *2013 Annual Energy Outlook Early Release* (December 5, 2012)
- U.S. Energy Information Administration, *Electric Power Annual 2011* (January 2013)
- U.S. Energy Information Administration, *Electricity Monthly Update* (February 25, 2013)
- World Steel Association, *Steel Statistical Yearbook* (2012)
- World Steel Association website, http://www.worldsteel.org/statistics/statistics-archive/2012-steel-production.html

**II. Resources from Patriot's Data Room**

- 1113 Proposal (Data Room Items 1.2.13, 1.5.2, and 1.5.3)
- 1114 Proposal (Data Room Items 1.2.15, 1.5.2, 1.5.3, and 1.5.5)
- 1113 Savings Summary and presentation (Data Room Items 1.2.14, 1.2.16)

- 1974 Plan Contributions 2009-2012 and Forecast 2013-2016 (Data Room Items 1.2.12.24-25)
- DIP Model (Data Room Item 1.2.22.1)
- Patriot Five-Year Business Plan (Data Room Items 1.2.2.1, 1.2.2.2, 1.2.2.3)