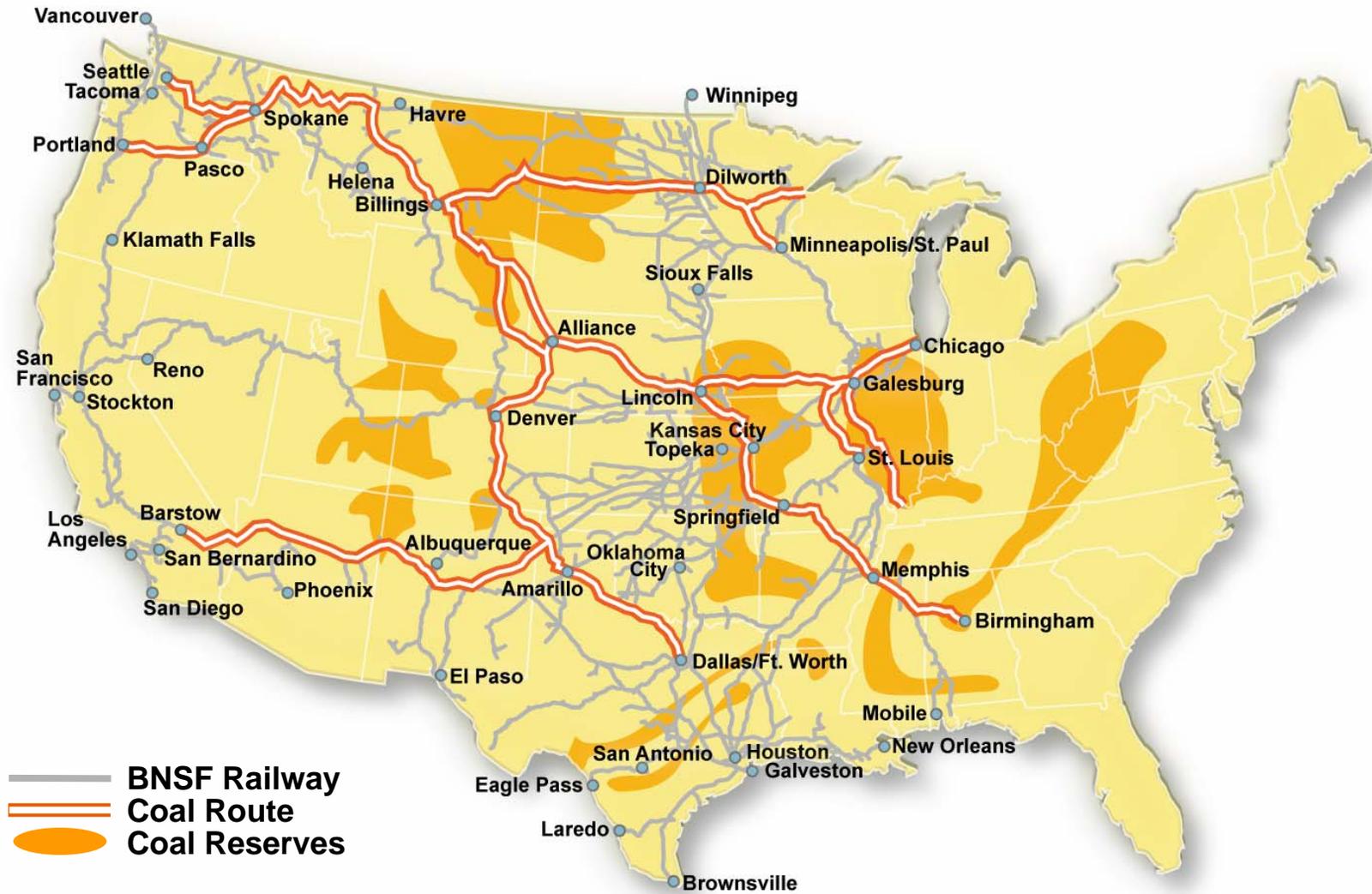


# BNSF Railway

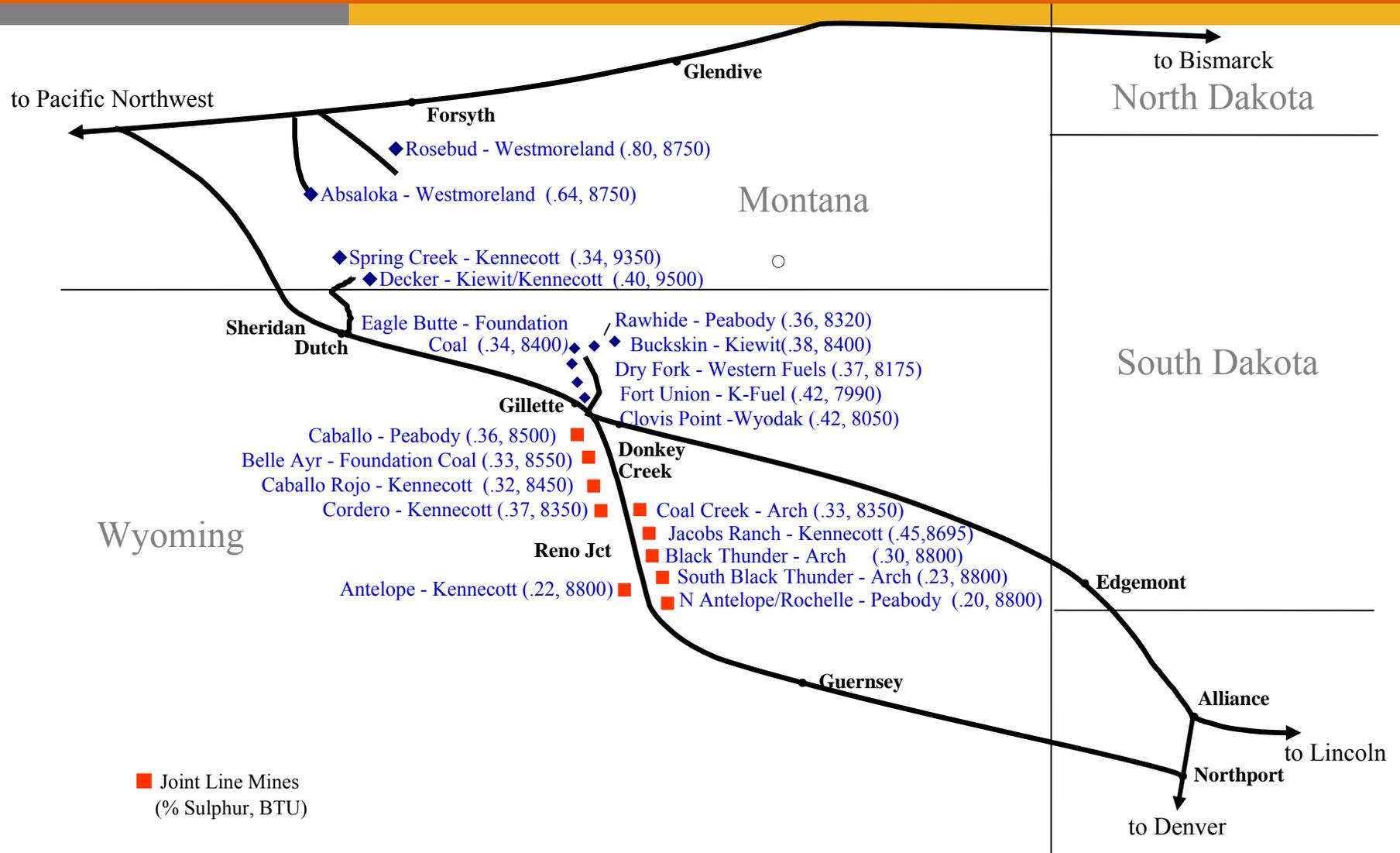
**South Dakota Public Utilities Commission**  
**Sioux Falls, South Dakota**  
**April 21, 2006**



# BNSF Network and Coal Reserves

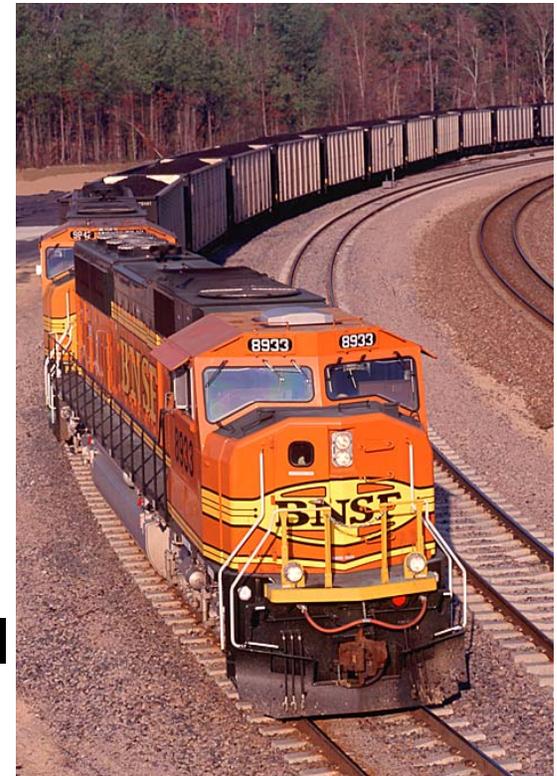


# Powder River Basin



# BNSF Coal Business Environment 2005-2006

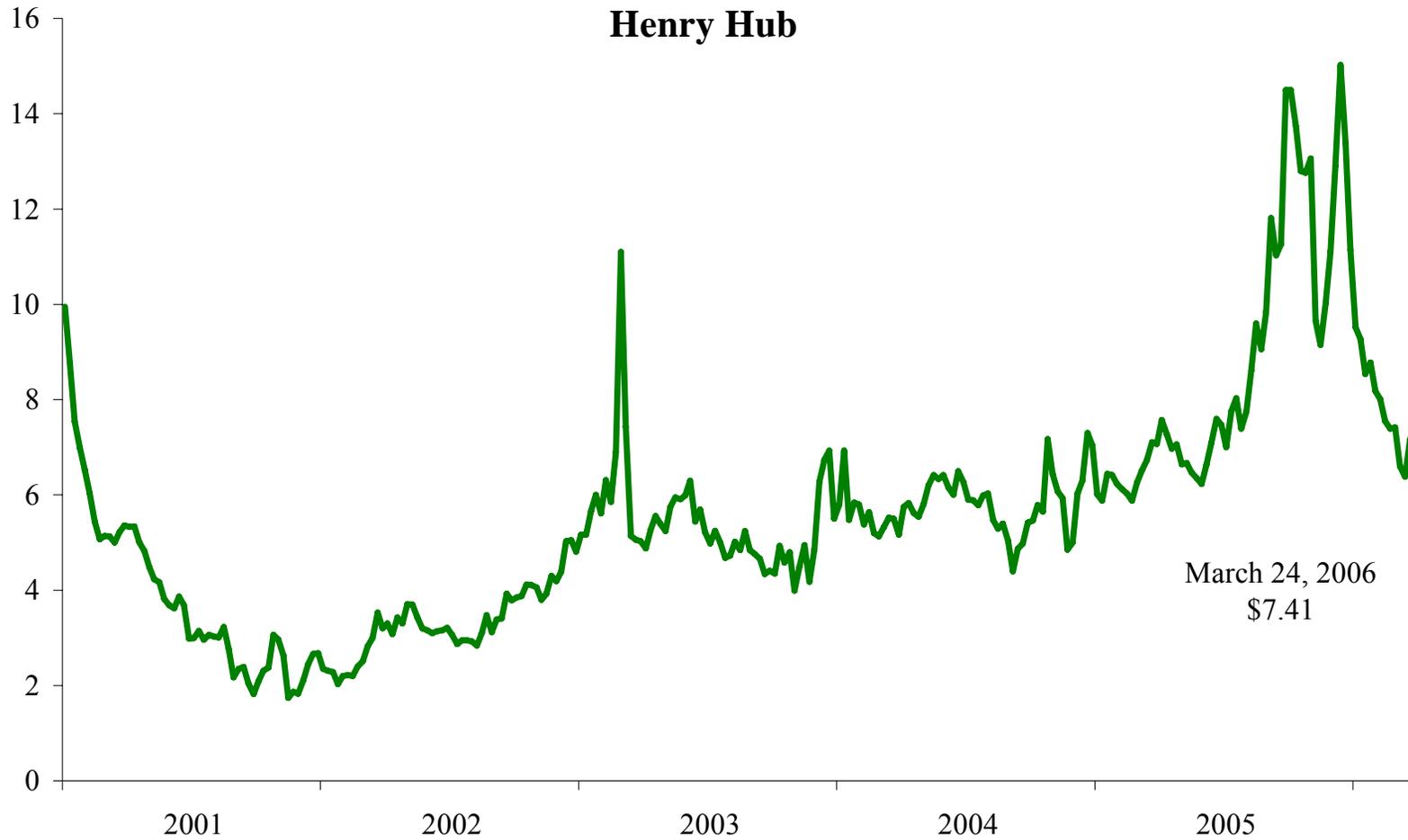
- **Unprecedented coal demand**
  - **Natural gas prices at historical highs**
  - **Increasing demand for electricity**
  - **Eastern utilities burning PRB coal**
  - **New plant construction**
- **2005 supply disruption**
- **Utility stockpiles are low**
- **Rail and terminal capacity is challenged**
- **Railroads deliver record amounts of coal**



# Natural Gas Spot Price Trend 2001-2006 YTD

\$ / MMBtu

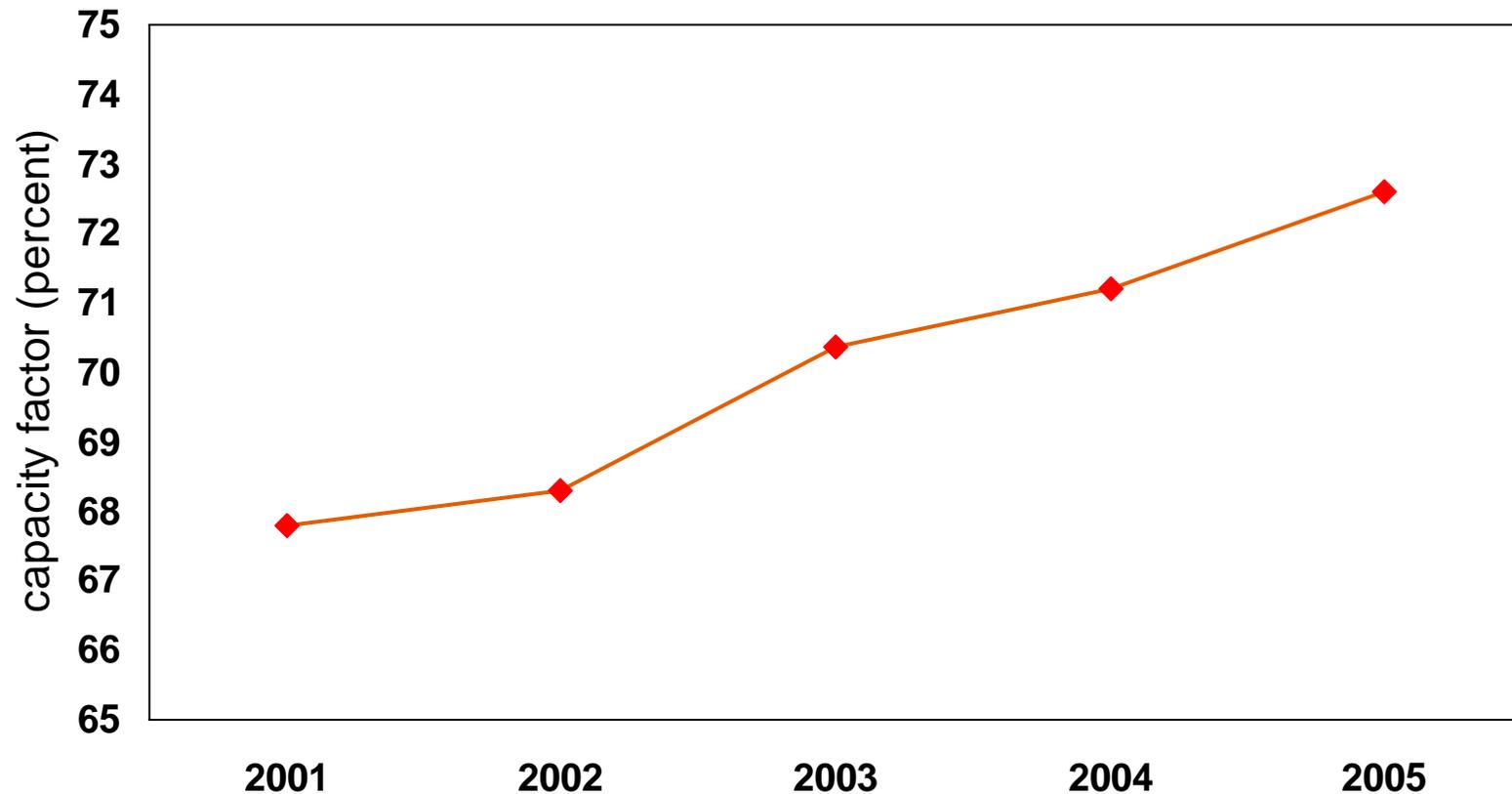
## Natural Gas Spot Price Henry Hub



March 24, 2006  
\$7.41

Source: Bloomberg

# U. S. Coal Plant Capacity Factors

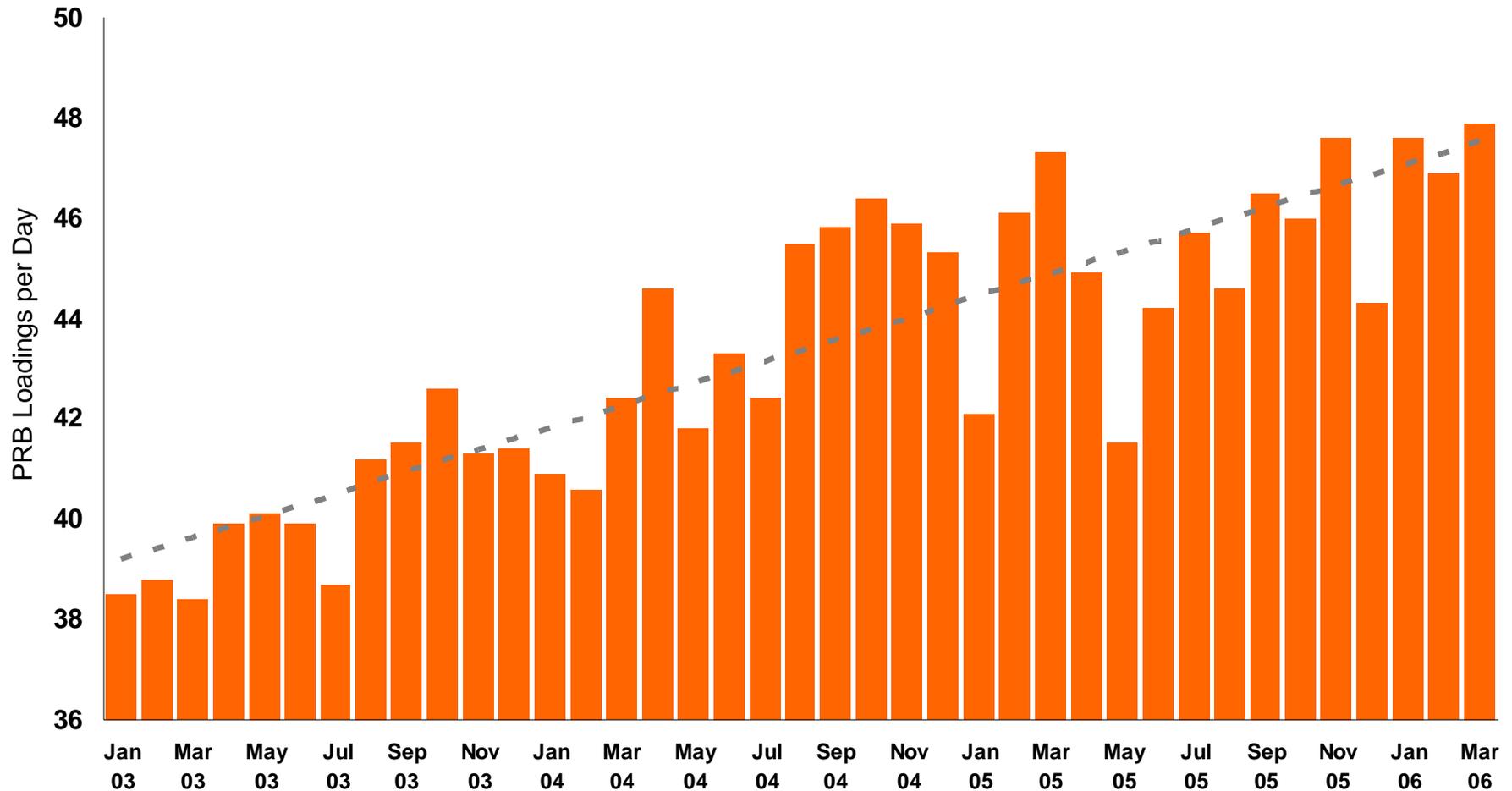


# May 2005: What Happened in the PRB?

- **End of 4 Year Drought**
- **Late April Snowstorm closes Mines**
- **May 11: two+ inches of rain on top of thaw**
- **May 14: BNSF derailment closes 2 of 3 Joint Line main tracks**
- **May 15: UPRR derailment closes all 3 Joint Line main tracks**
- **Cause: Track bed instability due to accumulated coal dust**
- **Comprehensive Joint Line Inspection by BNSF & UPRR**
- **Aggressive Recovery Plan initiated**

# BNSF Average Coal Trains per Day

## Powder River Basin Coal Loadings

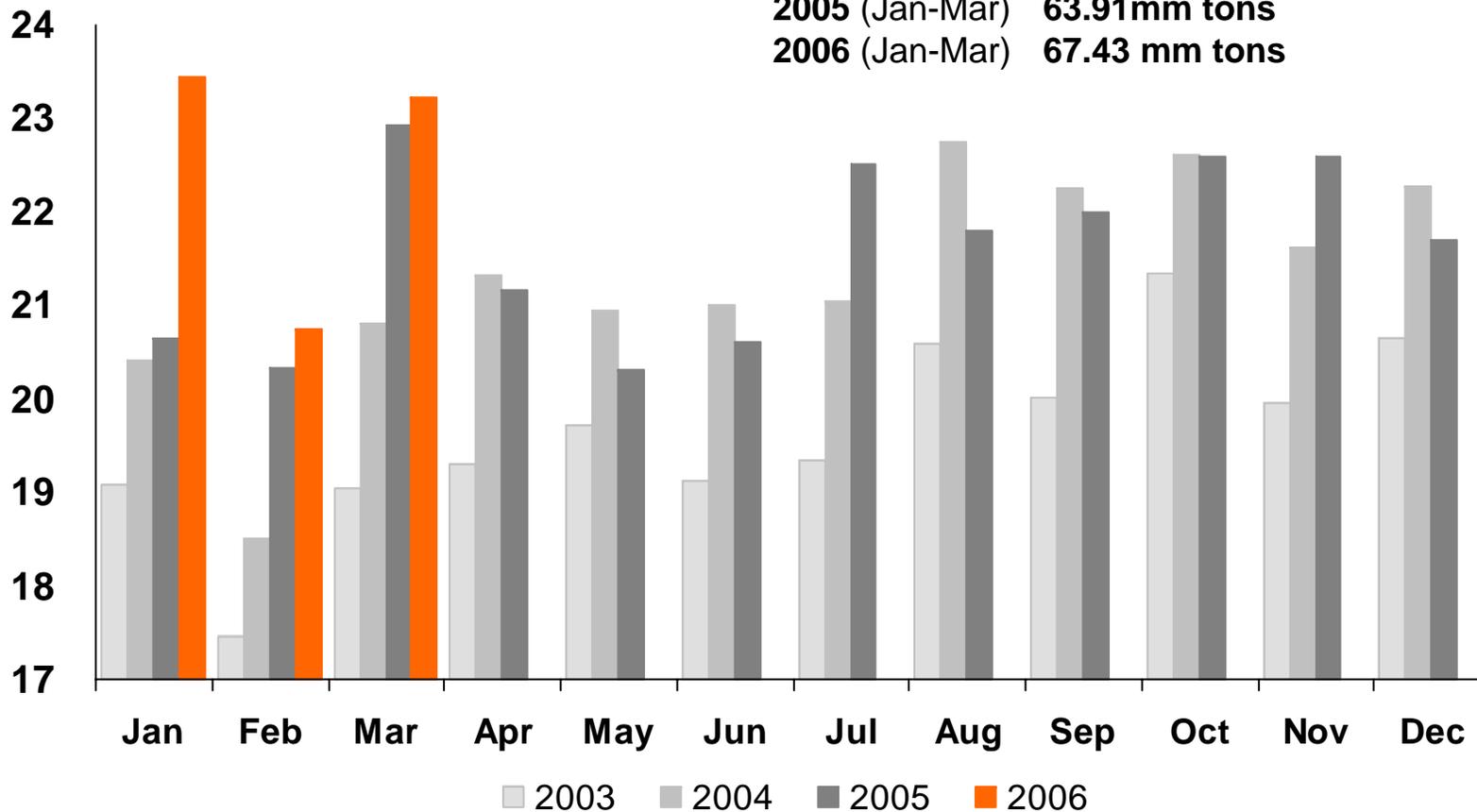


# BNSF Monthly Coal Tons Delivered

January 2003 – March 2006

Million Tons

**2003 (Jan-Mar) 55.58 mm tons**  
**2004 (Jan-Mar) 59.73 mm tons**  
**2005 (Jan-Mar) 63.91mm tons**  
**2006 (Jan-Mar) 67.43 mm tons**



# Initiatives to Increase Coal Loadings

- **Increased Employment in Operations for Growth/Attrition:**

<u>Systems Operations Hiring</u>	<u>2005</u>	<u>2006 Plan</u>
Transportation	2,204	1,524
Engineering	896	850
Mechanical	<u>679</u>	<u>680</u>
<b>Total:</b>	<b>3,779</b>	<b>3,054</b>

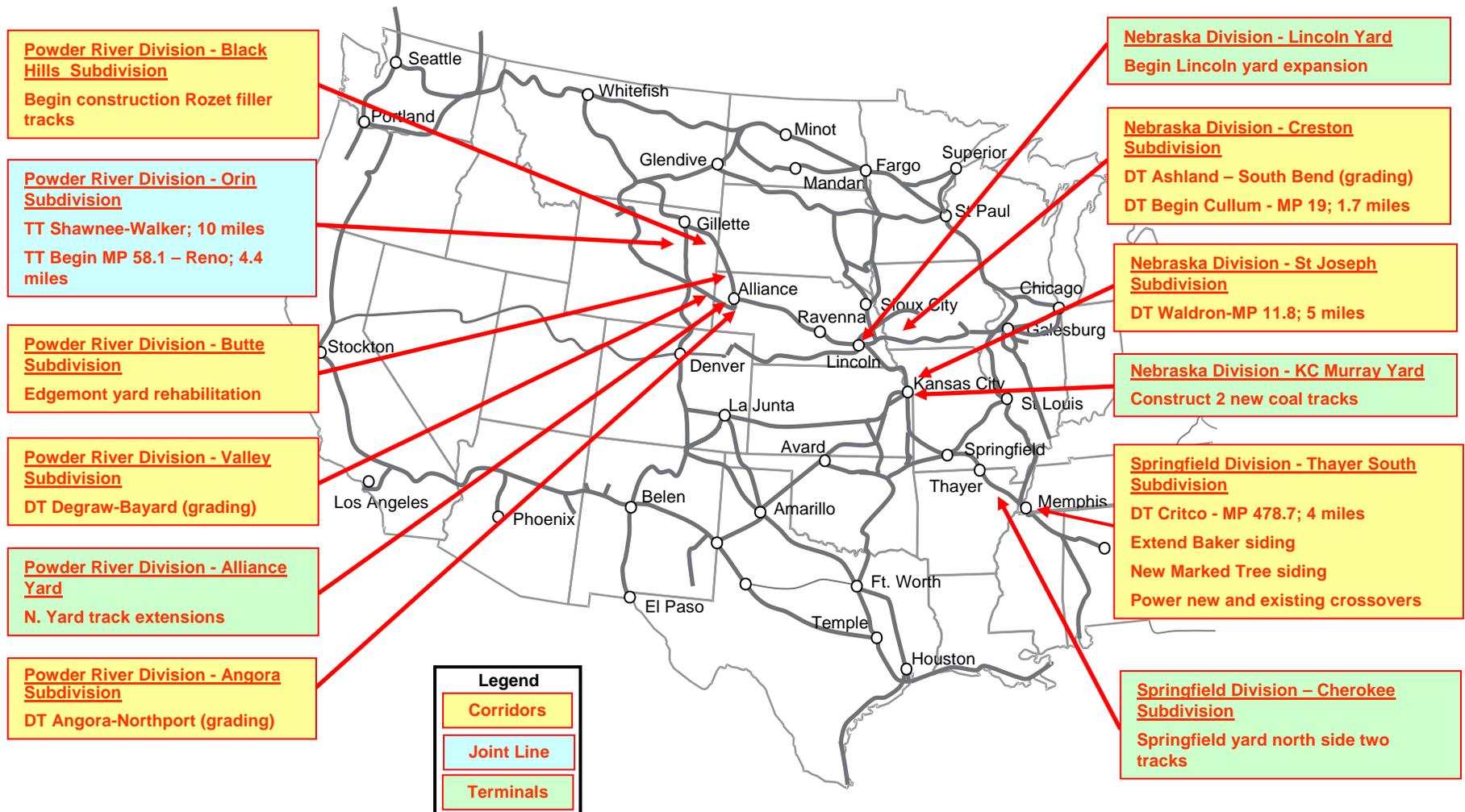
- **Incentive Compensation Linkage to Asset Velocity**

# Initiatives to Increase Coal Loadings

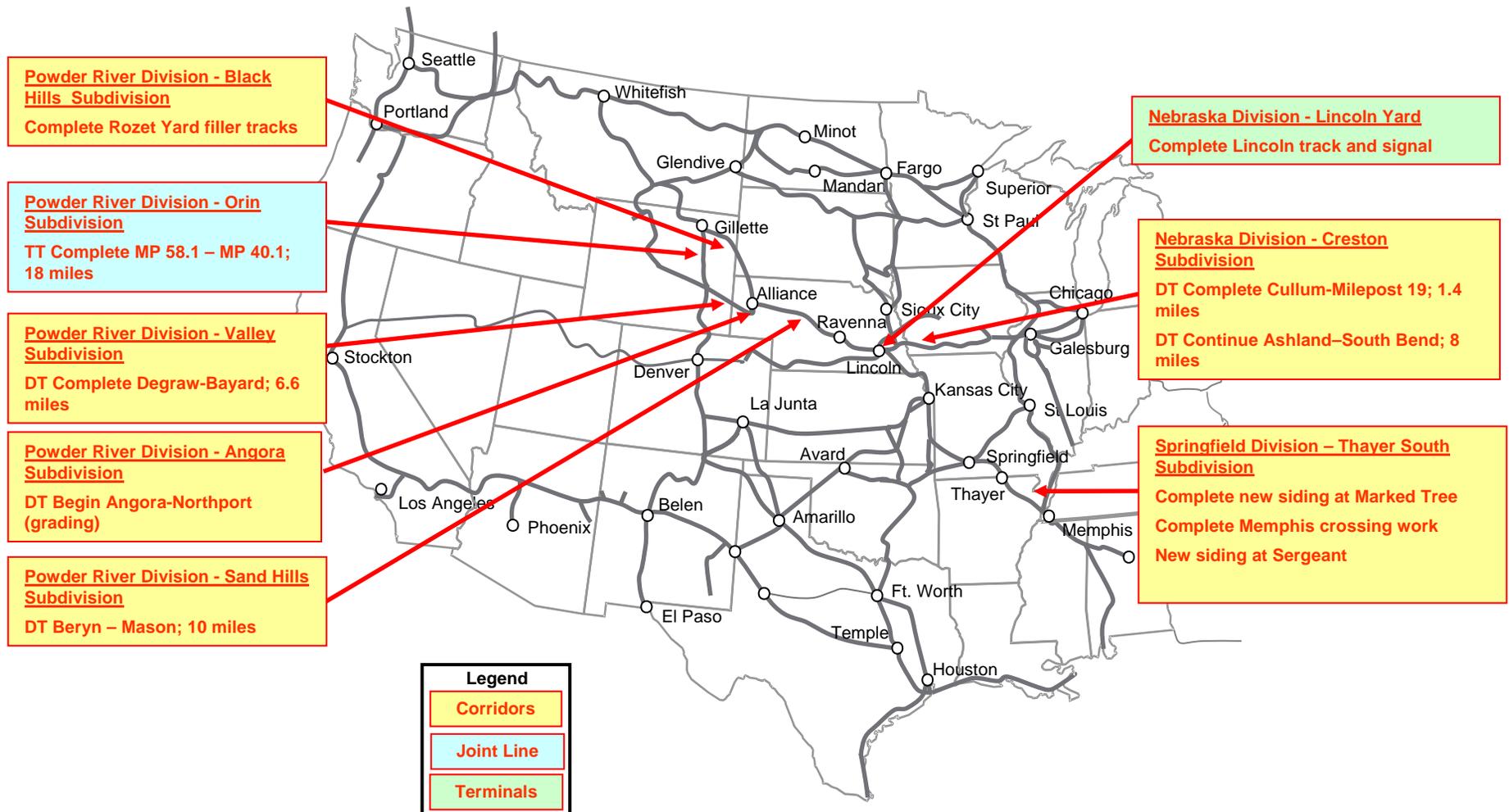
## •BNSF Coal Capacity Expansion Investments:

•Locomotives	2005	93 units	\$149 million
	2006 F	100 units	\$180 million
•Train Sets	2005	9 sets	\$85 million
	2006 F	14 sets	\$131 million
•Network Capacity	2005		\$92 million
	2006 F		\$101 million

# 2005 Coal Capital Capacity Expansion Projects



# 2006 Coal Capital Capacity Expansion Projects



# BNSF Increased Coal Capacity Investments

**\$2.7 billion invested in through 2005**

**\$ Millions**

Year	Loco- motives	Cars	Joint line	Corridors	Terminals	Total
1994	\$247	\$22	\$13	\$10	\$2	\$294
1995	247	58	18	44	12	379
1996	118	19	19	41	22	219
1997	160	20	7	63	27	277
1998	235	22	8	134	17	416
1999	270	23	13	49	4	359
2000	56	0	0	13	1	70
2001	0	0	0	0	0	0
2002	0	0	0	0	0	0
2003	85	48	0	8	10	151
2004	102	104	15	4	18	243
2005	<u>149</u>	<u>85</u>	<u>16</u>	<u>49</u>	<u>27</u>	<u>326</u>
Total	\$1,669	\$401	\$109	\$415	\$140	\$2,734

# 2007-2009 Coal Capacity Expansion Highlights

## 2007-2009 Highlights

- **Over 160 miles of double track in the Powder River, Nebraska, and Springfield divisions**
- **Bypass tracks in the Texas and Powder River divisions**
- **Additional locomotive acquisitions**
- **Additional train set acquisitions**

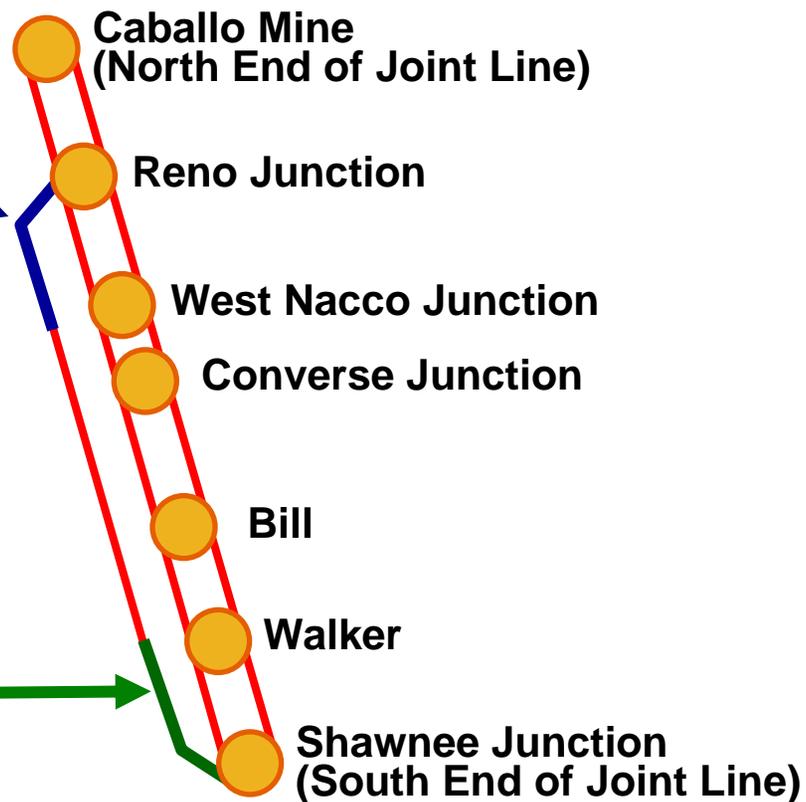
# Proposed New Coal-Fired Generation Rail-Served in the Western U.S.

<u>Company</u>	<u>Size (MW)</u>	<u>Location</u>	<u>Year On-Line</u>	<u>Est. Tons (mm)</u>
Tucson Electric	800	Arizona	2006-2009	3.2
MidAmerican Energy	790	Iowa	2007	3.2
Wisconsin Public Service	500	Wisconsin	2008	2.0
OPPD	663	Nebraska	2009	2.7
Xcel	750	Colorado	2009	3.0
NRG	675	Louisiana	2009	2.7
Springfield, City of	275	Missouri	2009	1.1
Newmont	200	Nevada	2009	.8
LS Power	800	Arkansas	2009	3.2
Sunflower	600	Kansas	2009	2.4
Indeck	600	Illinois	2009	2.4
San Antonio, City of	750	Texas	2009	3.0
Excelsior	530	Minnesota	2010	2.1
Kansas City P&L	850	Missouri	2010	3.4
Southern MT Coop	250	Montana	2010	1.0
Western Farmers	750	Oklahoma	2010	3.0
Wisconsin Energy	1,230	Wisconsin	2010	4.9
Tri States (Sunflower)	1200	Kansas	2011	4.8
Otter Tail	600	South Dakota	2011	2.4
LS Power	600	Iowa	2011	2.4
Associated Electric	660	Missouri	2012	2.6
Hastings Utilities	220	Nebraska	2012	.9
LA Dept of W&P	820	Utah	2012	3.4
Alliant	250	Wisconsin	2012	1.0
NPPD	400	Nebraska	NA	1.6
<b>TOTAL</b>	<b>15,763</b>			<b>63.2</b>

# Joint Line Capacity Expansion

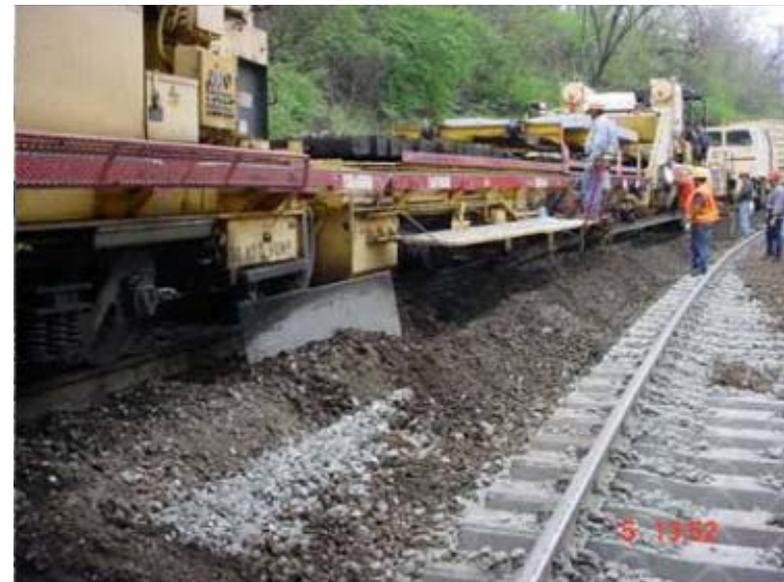
**Phase II:**  
**3<sup>rd</sup> Main 18 Miles**  
**In Service September '06**

**Phase I:**  
**3<sup>rd</sup> Main 14 Miles**  
**In Service June '05**



# Concrete Tie Installation

- **2005: July 11 – August 23**
  - **30,835 concrete ties installed**
  - **12 track miles of new rail installed**
  - **Work days: Monday – Thursday, 10-hour windows**
- **2006: Not Required**
- **2007: MP 21 – Donkey Creek, MT1**



# Ballast Maintenance: Undercutting

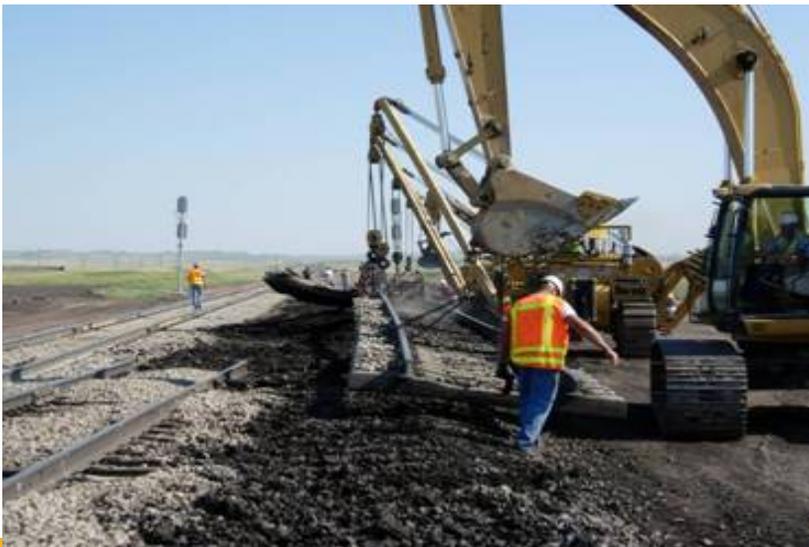
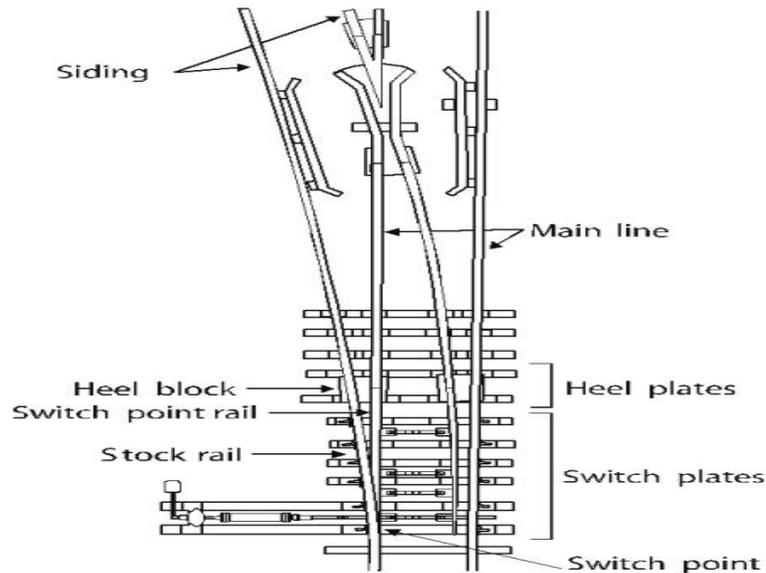
- **2005: Late August – November**
  - 72 track miles of undercutting
  - 11 Bridges Rehabilitated



- **2006: Late March – June**
  - 91 track miles of undercutting
  - 3 Bridges Rehabilitated



# Turnout Rehabilitation



## Existing turnout rehab

**2005: 56 turnouts rehabilitated**

**2006: 28 turnouts rehabilitated**

## Process

**Turnout removed from track in one piece**

**Defective ties & Switch components replaced if needed**

**Fouled ballast removed from location**

**Fresh ballast placed**

**Turnout moved back to original location**

**Additional ballast placed, turnout surfaced**

**Duration: 12 hours (maximum)**

# Summary

- **BNSF is committed to coal:**
  - Hiring thousands
  - Massive capital investment in fixed plant and rolling stock
  - Accelerating capital plans/capacity projects
  - Employee incentive programs keyed to velocity
- **BNSF has a solid track record over the last three decades**
- **Improvement expected this year but full impact will take time**



***BNSF***  
***RAILWAY***