



Department of Energy
Washington, DC 20585

December 31, 2012



Chairman Daniel R. Elliott III
Office of Chairman
Surface Transportation Board
395 E Street, SW
Washington, D.C. 20420-0001

233606
233607

RE: Docket Nos. 38302S and 38376S

ENTERED
Office of Proceedings
December 31, 2012
Part of
Public Record

Dear Chairman Elliott:

The order entered in these dockets July 27, 2005 (served August 2, 2005, and effective September 1, 2005), approving the Government's settlement agreement with Union Pacific Railroad Company, further held these proceedings in abeyance while directing the Government to file quarterly reports on the progress of settlement negotiations. This report updates our most recent report of September 28, 2012.

As indicated in that report, on September 4, 2012, the Government and BNSF filed with the Board the Joint Motion of the U.S. Department of Energy, the U.S. Department of Defense ("DOE/DOD"), and BNSF Railway Company ("BNSF") for Approval of Settlement Agreement and Prescription of Rate Methodology. Per the Board's October 10, 2012, order (served October 15, 2012), comments were due November 29, 2012. Two comments were filed, one by the Western Interstate Energy Board, dated November 28, 2012, and another by CSX Transportation on November 30, 2012, the latter accompanied by a petition for permission to file one day late. On December 28, 2012, DOE/DOD and BNSF filed a joint reply to the two comments.

We continue efforts toward a settlement and finalized settlement documents with Norfolk Southern. We will file a further report by the end of March 2013.

Sincerely,

Stephen C. Skubel
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cc: Vice Chairman Francis P. Mulvey
Board Member Ann D. Begeman
Attached Service List



CERTIFICATE OF SERVICE

I hereby certify that on December 31, 2012, copies of the foregoing document were served by prepaid first-class mail on counsel for the major carrier parties of record and counsel for other parties participating in related proceedings by mailing copies to the following:

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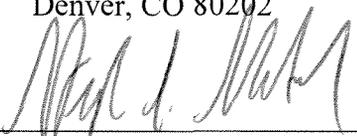
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