



Matthew K. Rose
Chairman and Chief Executive Officer

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September 27, 2011

The Honorable Daniel R. Elliott III
Chairman
Surface Transportation Board
395 E Street, S.W. - Suite 1220
Washington DC 20423-0001

Dear Chairman Elliott:

I write to provide you with BNSF Railway Company's (BNSF) response for 2011 to your annual request for an end-of-year railroad service outlook. In this letter, I will provide you with answers to the specific questions you posed to BNSF in your September 6, 2011, letter, as well as to review our outlook for volume and service for the remainder of 2011.

First, I would like to update you on the impacts of the recent flooding and weather on our network and our efforts to restore our physical plant, reset our network and communicate with our customers.

As you are well aware, BNSF has faced unprecedented weather challenges since late last year. From record snowfall in the northern part of our network last winter to record runoff causing extraordinary flooding, including the Missouri and Souris Rivers, BNSF has experienced a series of some of the worst impacts from weather in our railroad's long history. These conditions have affected our facilities, track, equipment, people and service to our customers from the Northern Plains south to Missouri. In two notable instances, our busiest corridors were taken out of service by floodwaters. Both main tracks in Minot, North Dakota, on our mainline between the Twin Cities and Seattle, which handles about 30 trains per day, were flooded from late June until early July. Along the Missouri River, the St. Joseph Subdivision between Lincoln and Kansas City, which handles about 50 trains per day, was completely severed by the widespread flooding for weeks.

In response to these challenges, BNSF has worked around the clock to lessen the impact of these floods on service to our customers. At the peak of our flooding, we rerouted as many as 40 percent of our trains, or about 460 train starts per day, and temporarily relocated up to nearly 500 train crew employees to handle rerouted traffic. We undertook extensive rebuilding and hardening efforts, including raising miles of track by up to eight feet, building levees and berms to protect the rail and repairing and replacing many miles of damaged track, bridges and structures. I am pleased to report that our St. Joseph Subdivision, a major coal route, reopened

on September 3. Virtually all of our traffic has returned to normal routes. The nearby Napier and Omaha Subdivisions were also impacted by high water. The Omaha Subdivision was returned to service on September 9, and we expect the Napier Subdivision to return to service in late October. As a result of these weather-related impacts, BNSF expects total spending on flood-related activities to be about \$375 million.

In addition to physically restoring our tracks and structures, we have undertaken to restore our network and quickly improve our service to our customers. To leverage the full capabilities of our railroad, following the reopening of our St. Joseph Subdivision, it was evident that nothing short of an "All Hands on Deck" effort would be adequate. While we have recovered much of the lost velocity and fluidity, we still have a long way to go.

We have made steady improvements in train velocity/speed, terminal dwell and customer on-time performance. Clearly, we have not fully regained our steady state of velocity, but we are well on the way to achieving that objective.

BNSF has worked hard to communicate with our customers to clearly and succinctly relay information about the condition of our physical plant, the state of their service and a realistic outlook for improvement. As you know, customer communications is a core value at BNSF, and we have communicated information about our network all along at all levels of our organization. More formally, our Chief Marketing Officer, John Lanigan, has communicated directly with customers on a regular basis about these subjects, which can be found posted at www.bnsf.com/customer. You will find excellent examples of our flood communications in the enclosed copies of our magazine "Railway" and DVD insert. You can be sure that we will continue to communicate frequently with our customers until all the effects of this flooding are behind us.

Turning to your other questions, you asked about our volume outlook for the remainder of this year. Compared to 2009 and 2010, we saw modest growth on a year-over-year basis, but the rate of growth has slowed over the last two quarters.

Year to date, BNSF volumes are up slightly, compared with the same time period in 2010; however, based on the slowing economic recovery, we do not anticipate any significant surges in freight activity for the balance of the year. The highest weekly volume for BNSF year to date was 194,000 units for the week ending September 24.

Concerning our intermodal traffic, the gradual recovery in consumer spending produced higher West Coast imports and intermodal volumes. Domestic intermodal volume increases were aided by tightening capacity in the truck market and higher fuel prices. However, intermodal volume remains well below the historic high we experienced in 2006, is subject to the slowing economic recovery, and this year's peak for steamship traffic was lackluster.

With respect to agricultural products, export grains are slowing as global wheat, corn and soybean supplies are strong, while domestic supplies have declined.

Coal volumes were down due to the flooding in Montana and along the Missouri River Valley, causing line closures and numerous re-routes. A number of our coal customers saw their stockpiles decline as cycle times increased due to the extensive re-routes. Since the beginning of the flooding-related outages, we have been in constant contact with our customers to monitor their stockpiles. We initiated a twice daily review of the customers with the most critical needs in order to make adjustments to our daily operating plan. With the previously mentioned return to service of the St Joseph Subdivision on September 3, BNSF's coal deliveries have significantly increased, and we expect continued improvements in coal velocity and deliveries. We believe that all stockpiles will be rising over the next several months due to the restoration and the specific focus we are placing on this issue.

Industrial products volumes show strong growth in the energy segment. However this is partially off-set by continued weakness in housing demand.

As for our capital investments, we continued to make investments in our railroad despite decreased volumes over the past four years. We recently committed to increasing our 2011 capital program to \$3.8 billion. We expect to spend about \$2.3 billion this year on our core network and related assets. This continuing investment in our core infrastructure is critical to network reliability. In fact, the installation of 3.3 million ties represents an all-time high for number of ties installed in a single year on BNSF. In addition to this investment in our physical plant, we will also invest approximately \$400 million on freight cars and equipment, \$450 million on locomotive acquisitions, \$300 million on positive train control and \$300 million on line, terminal and intermodal expansion and efficiency projects.

The major construction projects on our tracks and structures this year include the completion of the Abo Canyon project on our 2,200-mile Transcon Corridor between Southern California and Chicago. BNSF also completed installation of the Burlington Bridge lift span in Burlington, Iowa. Replacement of the bridge approach spans is estimated to be complete in April 2012.

We also continue to make significant investments in our yards and facilities. Construction began on BNSF's new Kansas City Intermodal Facility, and we began improvements at our Los Angeles Intermodal Facility, which includes installing an automated gate system to improve terminal fluidity and a bridge over our main line, connecting to the main yard. BNSF also started work on interlocking improvements at Tower 55 in Fort Worth, Texas.

You had also asked about mitigation of potential winter storm-related interchange issues in Chicago. The significant investments in CREATE and CTCO blunted the impact of the severe winter of 2010-2011 and permitted recovery in a more uniform and collaborative manner than was previously possible. The lessons learned from this last winter will continue to strengthen our efforts at improving overall through-put in Chicago.

As for developments in passenger rail service, in my letter last year, I had mentioned that we recently signed a Memorandum of Agreed Term Sheet (MOATS) with the Washington State Department of Transportation. MOATS provided the framework for the progression of the high-speed rail projects that the Federal Railroad Administration (FRA) identified for funding in Washington state along the Vancouver-Portland Amtrak route. I am pleased to tell you that the

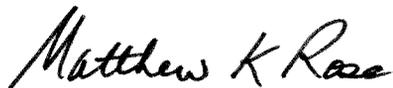
entire Cascade corridor, a designated high-speed rail corridor, has been funded. And in regard to the Seattle-Portland route, all agreements with the Washington State Department of Transportation have been signed, and we are currently working toward project implementation. We are also working on similar agreements for similar work between Seattle and the Canadian border. We hope to have those executed before the end of the year.

Similar FRA grants in the states of California, Texas, Oklahoma, Iowa and Illinois are all in final negotiations or are currently being executed.

With respect to Amtrak on-time performance for trains operating on BNSF, Amtrak's operations have suffered during the year due to record snow, flooding and the related track outages. Despite these challenges, year to date through the end of August, contractual Amtrak on-time performance was 88.5 percent. BNSF has historically been a leader in Amtrak on-time performance, and we expect to restore our Amtrak performance consistent with our historical best levels.

Regarding customer feedback, BNSF engages in continuous dialogue with its customers in an effort to set solid performance goals and deliver reliable products and services. Customer satisfaction with BNSF's performance has continued to improve over the last several years. Although customers' perception of transportation service indicates small declines during recent weather interruptions, we continue to be committed to restoring service to levels our customers expect.

Sincerely,

A handwritten signature in black ink that reads "Matthew K. Rose". The signature is written in a cursive, flowing style.

Matthew K. Rose

Enclosures

cc: Vice Chairman Ann D. Begeman
Commissioner Francis P. Mulvey