UNION PACIFIC RAILROAD
1400 Douglas Street, Stop 1770
Omaha, Nebraska 68179-1770

P 402 544 5565

Todd M. Rynaski Vice President - Controller & Chief Accounting Officer

January 31, 2018

Mr. Pedro Ramirez
Office of Economics
Surface Transportation Board
395 E. Street, SW
Washington, DC 20423-0001

Dear Mr. Ramirez,

With the enactment of the Tax Cuts and Jobs Act, Union Pacific Railroad Company's ("UPRR") financial results for 2017 will include a non-cash reduction in Income Tax Expense of approximately $5.9 billion resulting primarily from the revaluation of the Company's deferred tax liabilities to reflect the recently enacted 21% federal corporate tax rate. In addition, UPRR will recognize an approximately $210 million non-cash increase to Equity in Undistributed Earnings related to income tax reform adjustments at equity-method affiliates.

Due to the material impact these adjustments have on our financial statements for the quarter and year ended December 31, 2017, we are requesting that these adjustments be deemed as "extraordinary items" in our reporting to the Surface Transportation Board including, but not limited to, the Quarterly Report of Revenues, Expenses, and Income, the Annual R-1 Report, and the Schedule 250 – Consolidated Information for Revenue Adequacy Determination. We believe that the adjustments recorded during the current fiscal year meet the definition of extraordinary items in both "unusual nature and infrequent occurrence" as defined by Part 570 of the CFR and in accordance with instruction 1-2(d). As stated in the definition of unusual nature, the adjustments are incidentally related to the ordinary and typical activities of the entity as they do not relate to our normal course of railroad operations. Further, the adjustments meet the definition of infrequent given that a substantial revision of federal tax law has not occurred in many years and is not reasonably expected to recur in the foreseeable future. In addition, these adjustments exceed the materiality standard of 10% of annual income before extraordinary items and are distortive to income. The combined impact of these adjustments result in an increase to 2017 income of approximately $6 billion, which is greater than 120% of annual income before extraordinary items.

If you have any questions, please contact Erin Sauter at (402) 544-3099.

Sincerely,

Todd M. Rynaski