



Carl R. Ice
President and
Chief Executive Officer

BNSF Railway Company
P.O. Box 961052
Fort Worth, TX 76161-0052

2650 Lou Menk Drive
Fort Worth, TX 76131-2830
(817) 352-1400
(817) 352-7488 fax
carl.ice@bnsf.com

March 22, 2018

The Honorable Ann Begeman
Chairman
Surface Transportation Board
395 E Street, SW
Washington, DC 20423-0001

The Honorable Deb Miller
Vice Chairman
Surface Transportation Board
395 E Street, SW
Washington, DC 20423-0001

Dear Chairman Begeman and Vice Chairman Miller:

I write in response to your letter of March 16, 2018, requesting that BNSF Railway provide our service outlook for the near term and for 2018 overall.

Through the efforts of our employees and because of the record growth-focused capital investments we have made in our railroad in recent years, we have been able to respond to increasing volumes with generally strong service performance across our railroad. As discussed in more detail below, we have faced seasonal challenges to service performance in 2018, but we have seen recent improvements as winter conditions abate and we expect that momentum to continue. In the fourth quarter of 2017, BNSF set an all-time weekly volume record of almost 220,000 units – eleven years after we achieved our previous record of 218,894 units – and the total volume currently being moved by BNSF remains at an historically high level for this time of year. With the recently enacted tax reform we expect to see the economy continue to improve, and we believe that our capital investments have us well-placed to meet our customers' growth and their service expectations. We will not hesitate to bring on additional resources – including infrastructure, equipment, and people – to handle the growth our customers bring us.

Overall Network Fluidity

While BNSF has faced challenging operating conditions at different locations along our Northern Transcon during these recent winter months, we believe the worst of those impacts are behind us as we move into spring. During the first few months of the year, winter weather – including heavy snow and below-zero temperatures – impacted velocity and fluidity on portions of our primary route



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between the Pacific Northwest and the Midwest. During this period, BNSF deployed additional resources, including 200 locomotives, to reduce the number of trains being held. Our employees worked aggressively to clear blocked main lines, re-route trains, keep terminals open, and position locomotives to move as many trains as possible along this busy section of the network.

In addition, I would highlight the following about local and overall network service on BNSF:

- Total volume moved by the railroad represents a historic high level for this time of year as we exceeded 200,000 units for the fifth consecutive week, and eight out of the past nine weeks.
- While we have seen increases in dwell in response to weather events and other specific service interruptions, our overall dwell has decreased year-to-date by over 7 percent compared to the same period in 2017. This was despite a series of highly disruptive events in early February – including two simultaneous derailments on both the Southern Transcon and the Northern HiLine as well as two trains becoming stranded for multiple days under snow and ice on single mainline track sections of the HiLine – which caused significant disruptions to our intermodal traffic flows over the involved track. The conditions described here also impacted our other business units, and we have taken steps to increase capacity (including bringing online more boxcars, flatcars, and gondolas in the last two months) and are working with customers to increase throughput (including coordinating private fleet movements across multiple facilities and developing new loading patterns to maximize boxcar capacity).
- BNSF's agricultural shuttle business has seen a recent uptick in demand, increasing from 128 shuttle orders at the end of December to 140 shuttles in current operation. BNSF has experienced a gradual increase in system past dues in 2018 made up of primarily of Destination Efficiency Trains (DETs) and unit train orders, with a more minimal impact on single car shippers. We have seen those numbers come down in recent weeks and are currently in the 1,600 range. Extreme temperatures continue to impact BNSF's ability to put stored hopper cars back in service, with over 1,000 cars still buried under snow and ice. Despite the challenges, BNSF has been able to maintain turns per month for the system and for the Pacific Northwest in the first quarter of 2018 that exceed those for the same period in 2017.



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- Two areas on BNSF's consumer products network experienced heightened congestion this year. First, BNSF's intermodal and automotive hubs in Chicago were impacted by mid-February snowstorms and by the winter weather conditions across key portions of our Northern Transcon. Imbalance with customers' ingating vs. outgating of units, crosstown driver shortages, tightness in automobile haul-away truck capacity, and foreign line gate restrictions further exacerbated dwell, leading to higher cycle times and units being redirected to satellite lots for parking. Second, the DFW intermodal hub has continued to see unparalleled growth due to the strong local economy, with 2017 volumes outpacing 2016 volumes by more than 20 percent. BNSF has responded to that growth by undertaking track and parking expansion projects, including the addition of more than 1,000 parking spots before peak season. We are working with our customers in all of BNSF intermodal and auto hubs to reduce dwell on delivered shipments to improve overall traffic flow and maximize production capabilities at these facilities.

Despite the challenges of 2018 weather and the significant volumes we are moving for our customers, our overall velocity performance in the first quarter exceeds that of 2017. We believe that we are trending back to the service performance we were seeing prior to February, with fewer cars online and strong velocity across the network, and that our customers are experiencing recovery in real time. This improving trend will also be reflected in our weekly reporting to the STB.

With regards to your specific questions regarding the state of our operations and preparedness not covered above, further detail is provided in the remainder of this letter.

Locomotive Availability

BNSF currently has approximately 7,300 locomotives in service, with 701 additional high horse-power units in storage that could be mobilized to provide sufficient surge capacity if necessary. Over the past five years, BNSF has purchased over 1,300 locomotives – which is a significant addition to our fleet and fulfills our current acquisition plans. As we experienced this winter, we were able to quickly deploy additional locomotives to our Northern operations in response to intermittent locomotive shortages to ensure sufficient capacity. Improvement has been rapid as weather improves across the network.



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Employee Resources

BNSF has a robust hiring plan in 2018 (as we did last year) that exceeds attrition. We have called back virtually all available employees that were furloughed since 2016. At the height, we had 5,000 furloughed TY&E employees. Currently, less than 200 TY&E employees remain furloughed, primarily at locations where we have not seen traffic return to previous levels. Trains holding for crew have been intermittent and weather-related, with rapid recovery as spring approaches. Our current TY&E employee count is approximately 17,500 and we expect to add approximately 2,000 more employees in 2018. As the economy continues to strengthen and the job market becomes tighter, it will become more difficult to hire in certain locations but we believe we will hit our hiring targets in 2018.

Demand

Overall, BNSF anticipated that strength in the industrial economy and solid consumer demand would lead to growth in corresponding business segments, and our year-to-date results have closely followed our plan expectations. I will briefly describe the volume expectations of each of our four major business units:

- Consumer Products volumes year-to-date, which include intermodal and automotive traffic, have increased in the mid-single digits versus the prior year. The year-to-date volume gains are consistent with BNSF's internal projections. As the year progresses, Consumer Products is expected to continue to see volume strength.
- Industrial Products volumes were expected to be up moderately, driven by broad strength in the industrial sector; however, our projections have grown. We have seen strength in Steel, Lumber, Rocks, Sand, and Crude. Canadian crude opportunities also look better as the year moves forward.
- Agricultural Products volumes for 2018 were predicted to decrease compared to 2017. The majority of the decline was expected in grain exports, driven by competition from high global grain supplies, lower U.S. production, and continuing strength of the U.S. dollar. Since then we have seen rapid and significant changes in world grain markets, which are driving stronger U.S. corn exports as mentioned above. March is currently tracking to be an



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all-time units record for any month in our history. Export grain strength is expected to continue throughout the remainder of the year, leading to a projected annual volume record. We have been planning resources and will be prepared for this year's harvest.

- Coal volumes are expected to decrease from 2017 levels, driven primarily by unit retirements at coal generating facilities, increased generation share from renewable sources, and stagnant overall demand for electricity. Volume declines through February have been consistent with BNSF's internal projections.

Communications

BNSF consistently and frequently communicates with our customers in order to provide transparent, actionable information so that they can make decisions about their business. We provide a general bi-weekly update categorized by business unit, which provides overall information on the state of our network and service levels. Any emergent issues are communicated in real time via customer notification emails describing the issue, any impacts to the customer, and expectations for resolution. Of course, the most important communication happens on a daily basis in person-to-person interaction by our Sales & Marketing team with their customers. This vital sharing of information not only allows us to better plan our operation to ensure appropriate resources are in place to handle anticipated business levels, but also allows our customers the necessary visibility to plan their business.

Capacity Update

BNSF's 2018 capital expenditure plan of approximately \$3.3 billion reflects BNSF's continued focus on maintaining a strong, fluid network that allows us to meet changing customer demands. Since 2000, BNSF has invested more than \$60 billion in our network – all while remaining focused on our commitment to safety, maximizing efficiency, and continuing to meet our customers' expectations. The largest component of the 2018 plan will be to replace and maintain BNSF's core network to ensure trains can run safely and limit the need for unscheduled service outages that can slow down the rail network and reduce capacity. It will include approximately 13,000 miles of track surfacing and/or undercutting work, as well as the replacement of more than 500 miles of rail and nearly 3 million rail ties. There are currently more than 35 capital gangs in full operation across BNSF. As part of the customer tools described above, BNSF provides weekly Track Maintenance postings with detailed information and maps showing the location and impact of planned maintenance.



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Approximately \$500 million of this year's capital plan relates to expansion and efficiency projects that are focused on key growth areas along BNSF's Southern and Northern Transcon routes, connecting Southern California with Chicago and the Pacific Northwest to Upper Midwest, respectively. Enclosed with this letter are two slides showing BNSF main line and intermodal facility expansion projects in 2018. Another element of our capital plan will be \$300 million for freight cars and other equipment acquisitions. We believe that the investment we have made in our network in the last few years, along with the focused expansion projects we plan for 2018, mean we are positioned to meet the expectations of our customers.

Finally, BNSF has also allocated \$100 million for positive train control (PTC) in 2018 – all told, BNSF will invest approximately \$2 billion on PTC implementation. As of December 2017, BNSF has installed all the necessary PTC infrastructure and is operating it in revenue service demonstration on all 88 required subdivisions, covering more than 11,500 route miles and 80 percent of our freight volume. We are running hundreds of BNSF trains daily with PTC as we test operating in revenue service across our entire mandated territory. Recently, BNSF passed a milestone of having run one million trains operating PTC. BNSF and our employees now realize PTC implementation safety benefits every day.

Conclusion

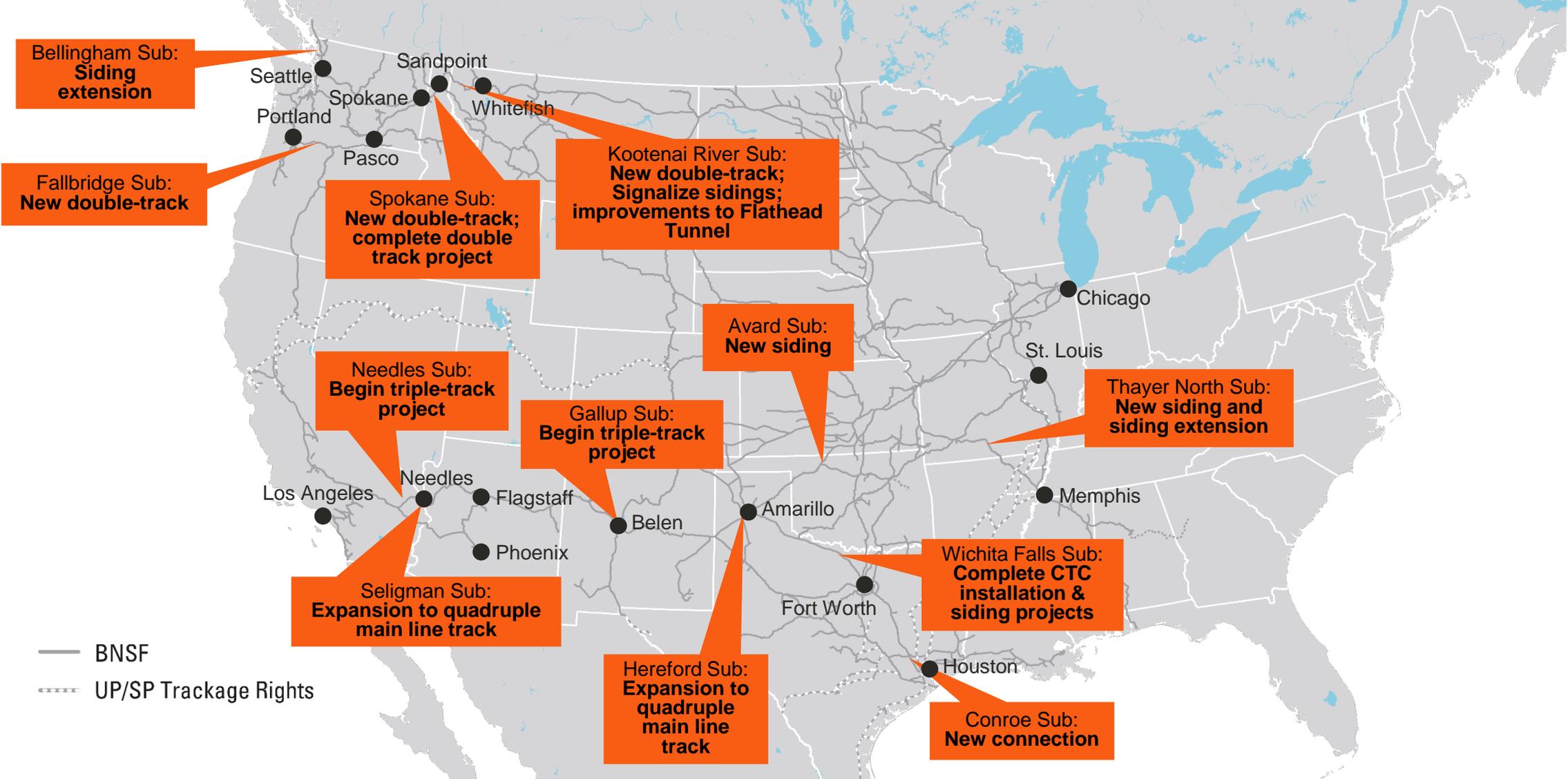
BNSF's business model has always been to grow with all of our customers who want to ship on our railroad, earn value for the service we provide, and reinvest back into the railroad to be positioned for future growth. Our record investments in capacity and maintenance over the past several years have positioned us well to meet our customers' expectations. Weekly carloads have increased during 2018 and, despite seasonal challenges, we continue to gain momentum as spring approaches. As the economy continues to improve, additional volume is anticipated and we believe we are prepared to handle that traffic; however, we will not hesitate to add infrastructure, equipment, and people to handle this anticipated growth.

Sincerely,

A handwritten signature in black ink, appearing to read "Carl R. Ice". The signature is fluid and cursive, with the first letters of the first and last names being capitalized and prominent.

Carl R. Ice
President & Chief Executive Officer

2018 Line Expansion Projects



2018 Intermodal Facility Expansion Projects

