

BNSF Railway

Powder River Basin Coal Transportation

Federal Energy Regulatory Commission Update

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**Executive Vice President and Chief Operations Officer
June 15, 2006**

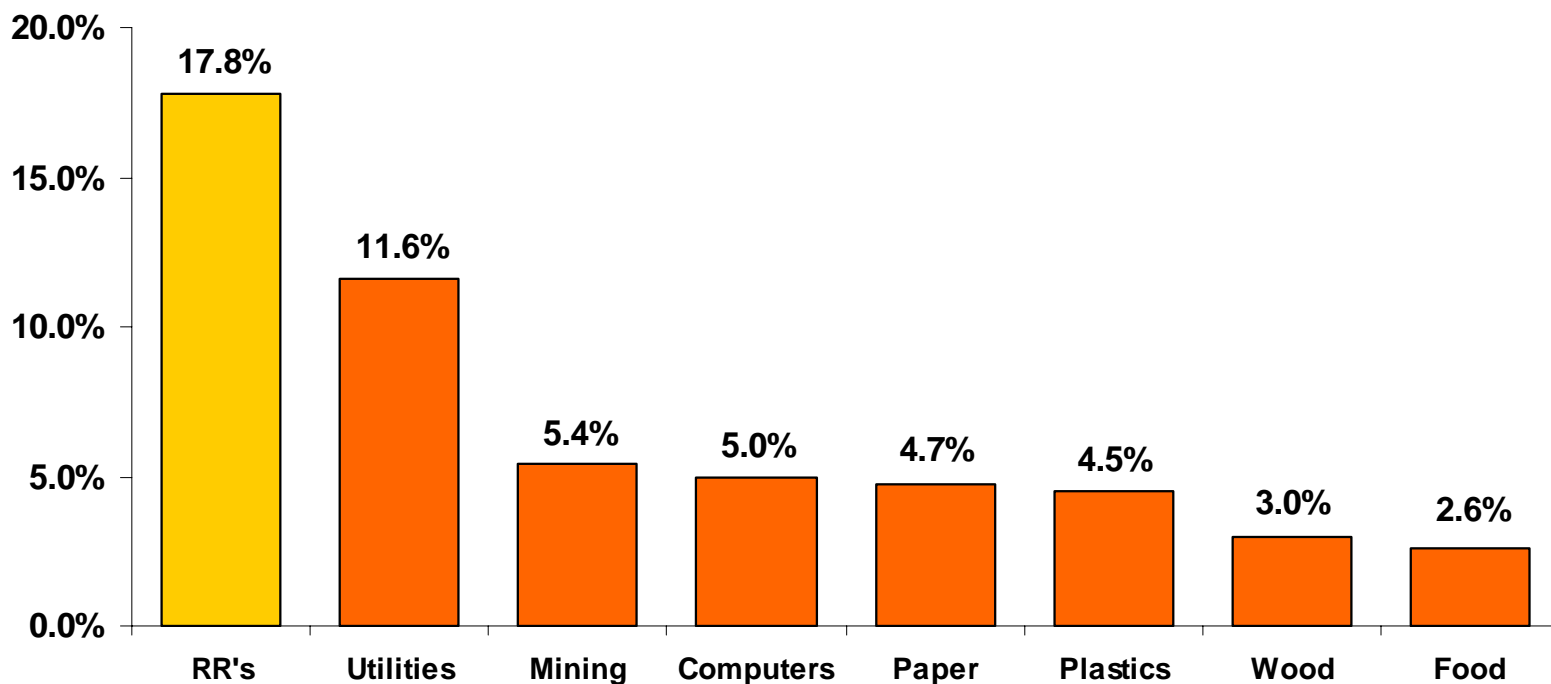


Discussion Topics

- **BNSF overview**
- **BNSF Network and PRB mines**
- **BNSF capital investment**
- **PRB growth history**
- **PRB economics and markets**
- **Joint Line and coal corridor capacity planning**
- **PRB Rail Service Outlook**

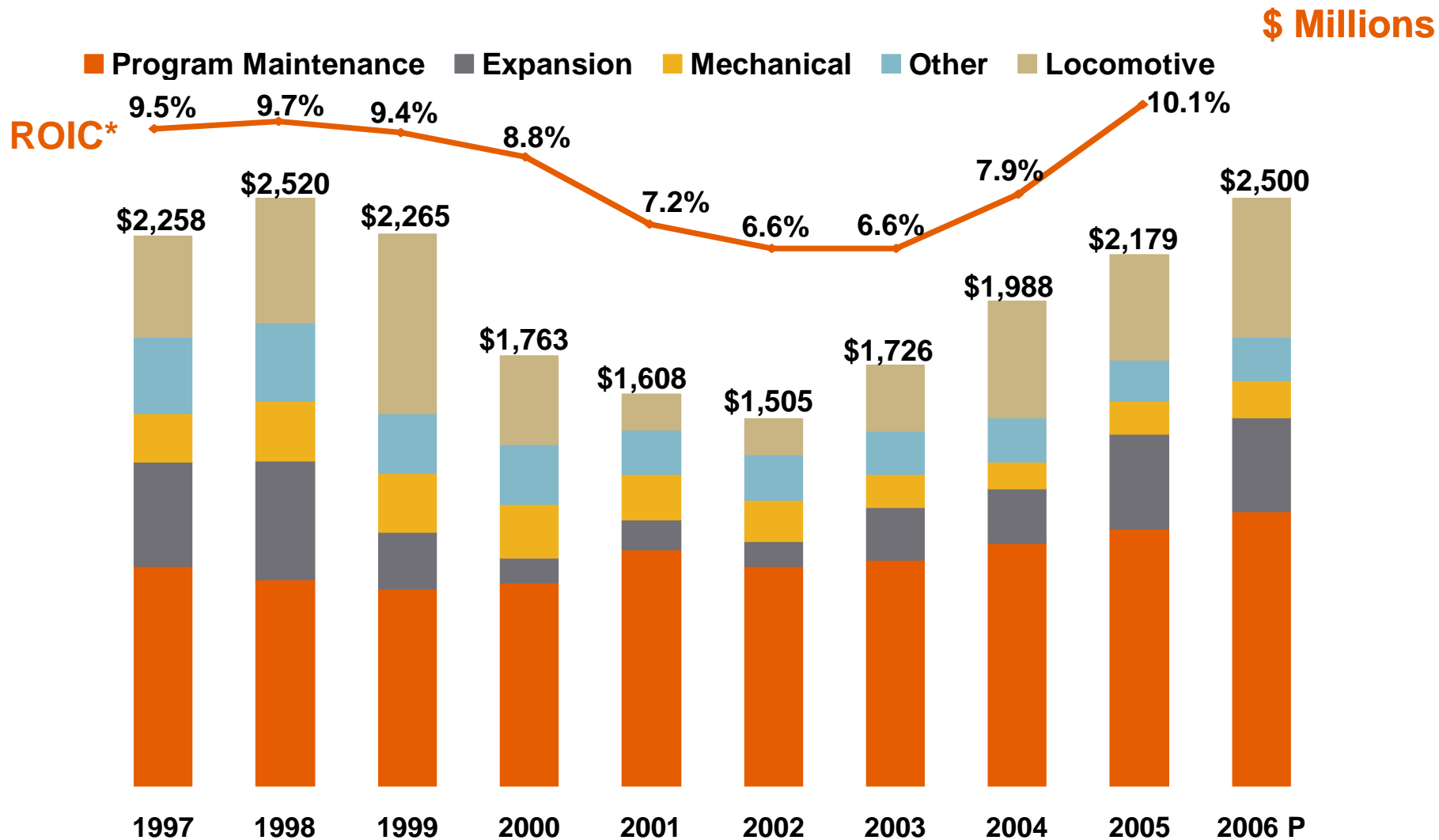
Railroading Is Capital Intensive

Average Capital Spending as a Percent of Revenue



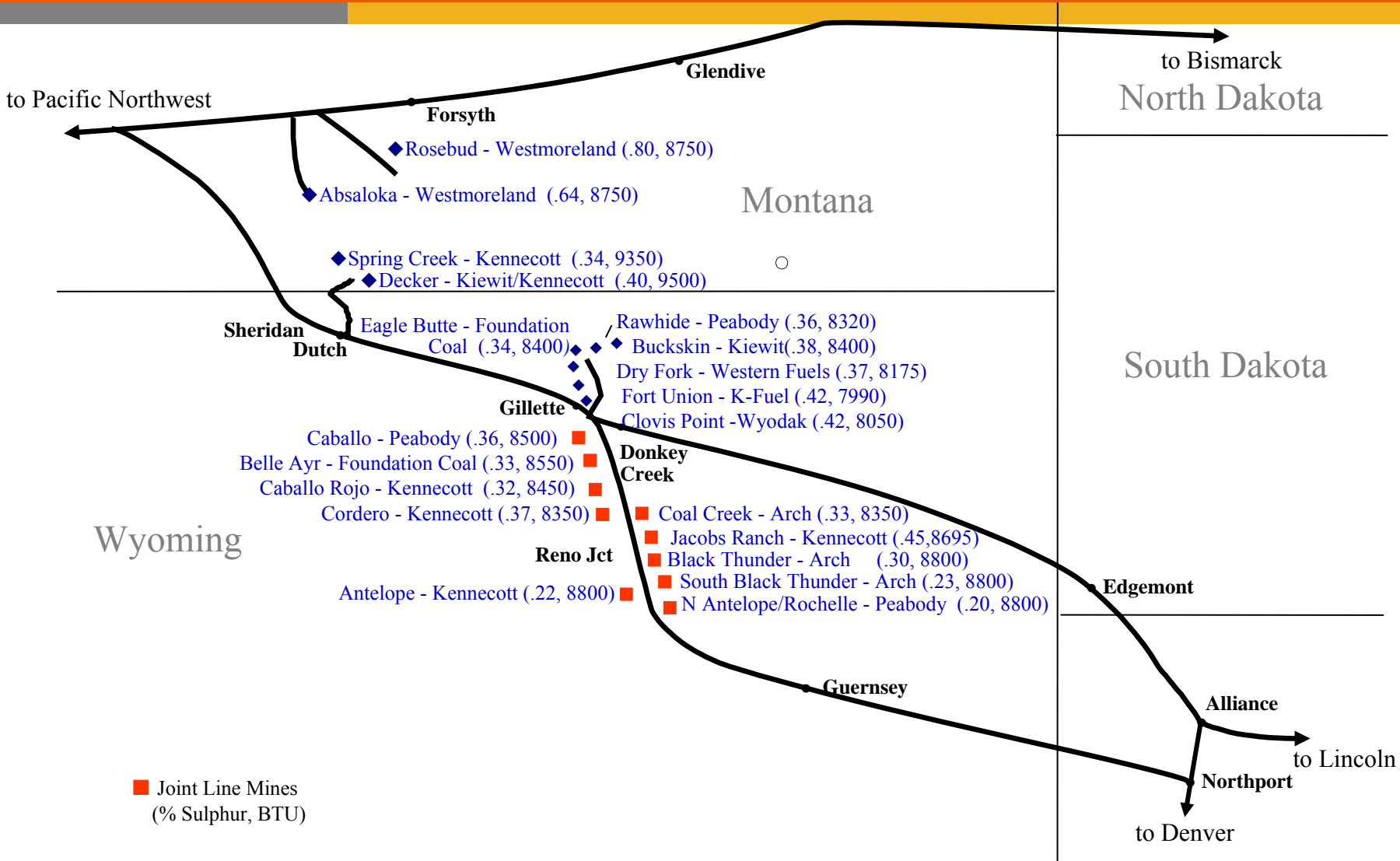
1995 - 2004 Data Source: U.S. Bureau of Census, AAR, EEI

Capital Commitments with ROIC



*Adjusted for unusual or non-recurring items. *See BNSF website www.bnsf.com/InvestorRelations for a reconciliation to GAAP.

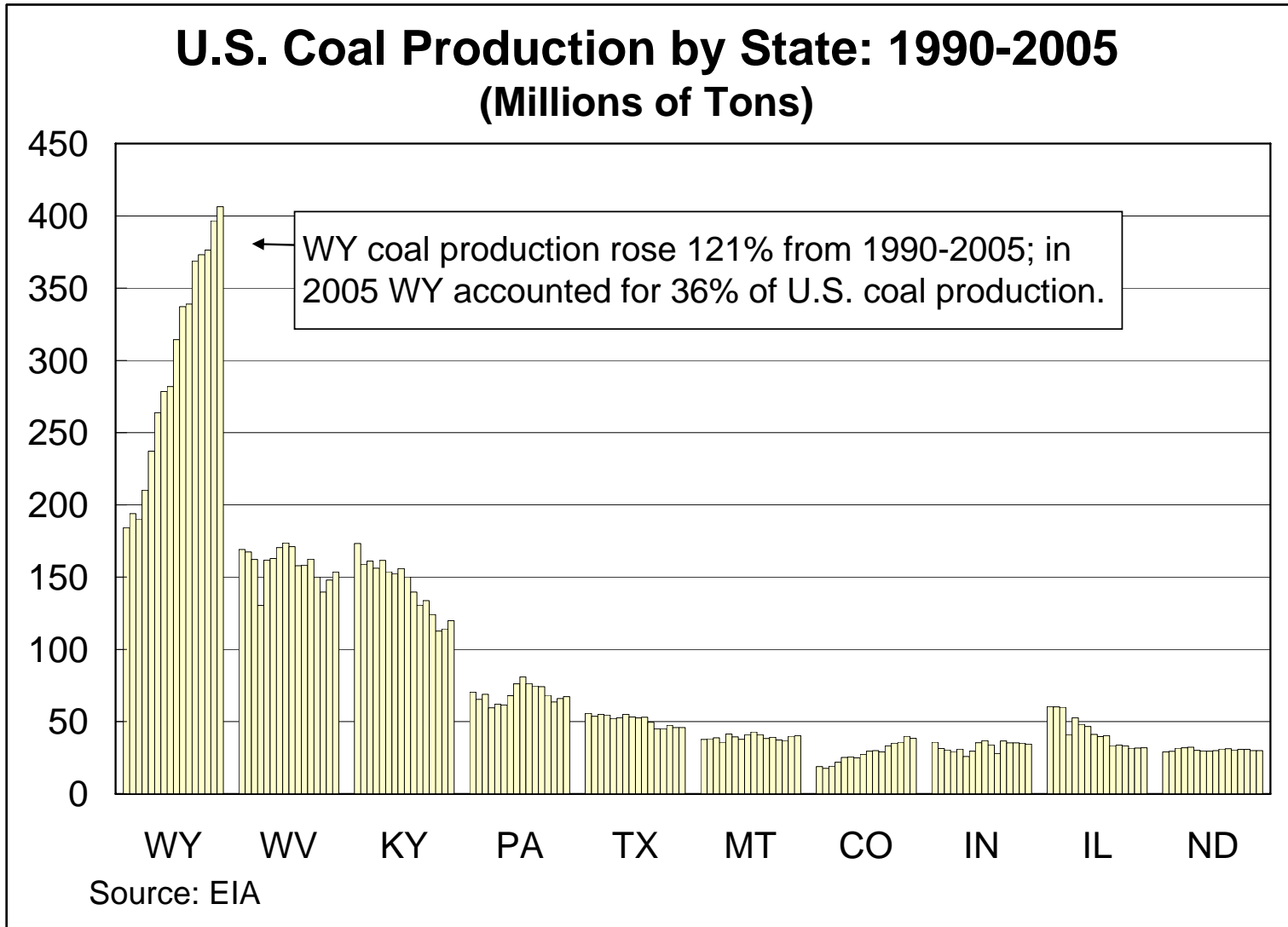
Powder River Basin



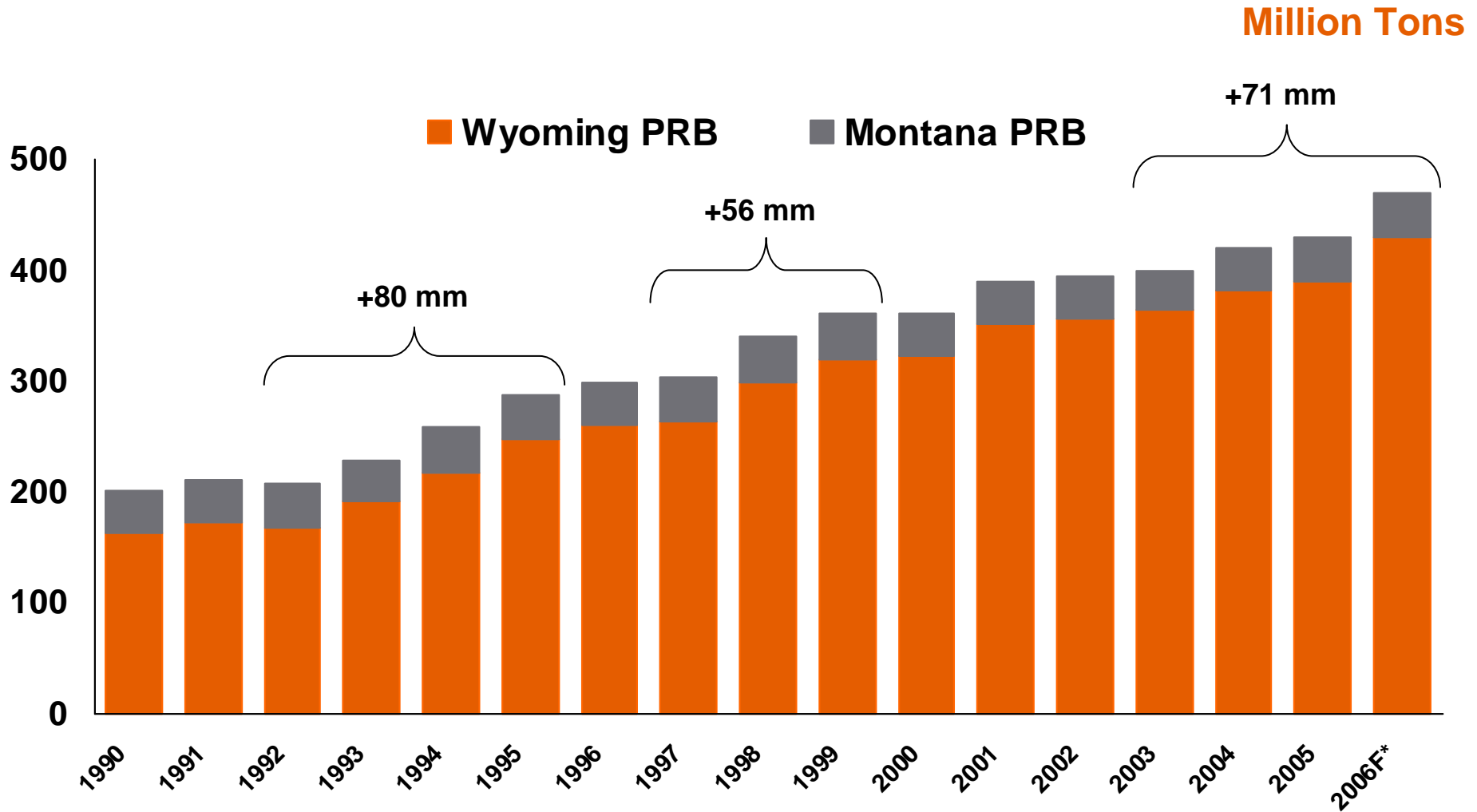
Colorado



Rise of PRB Coal Demand



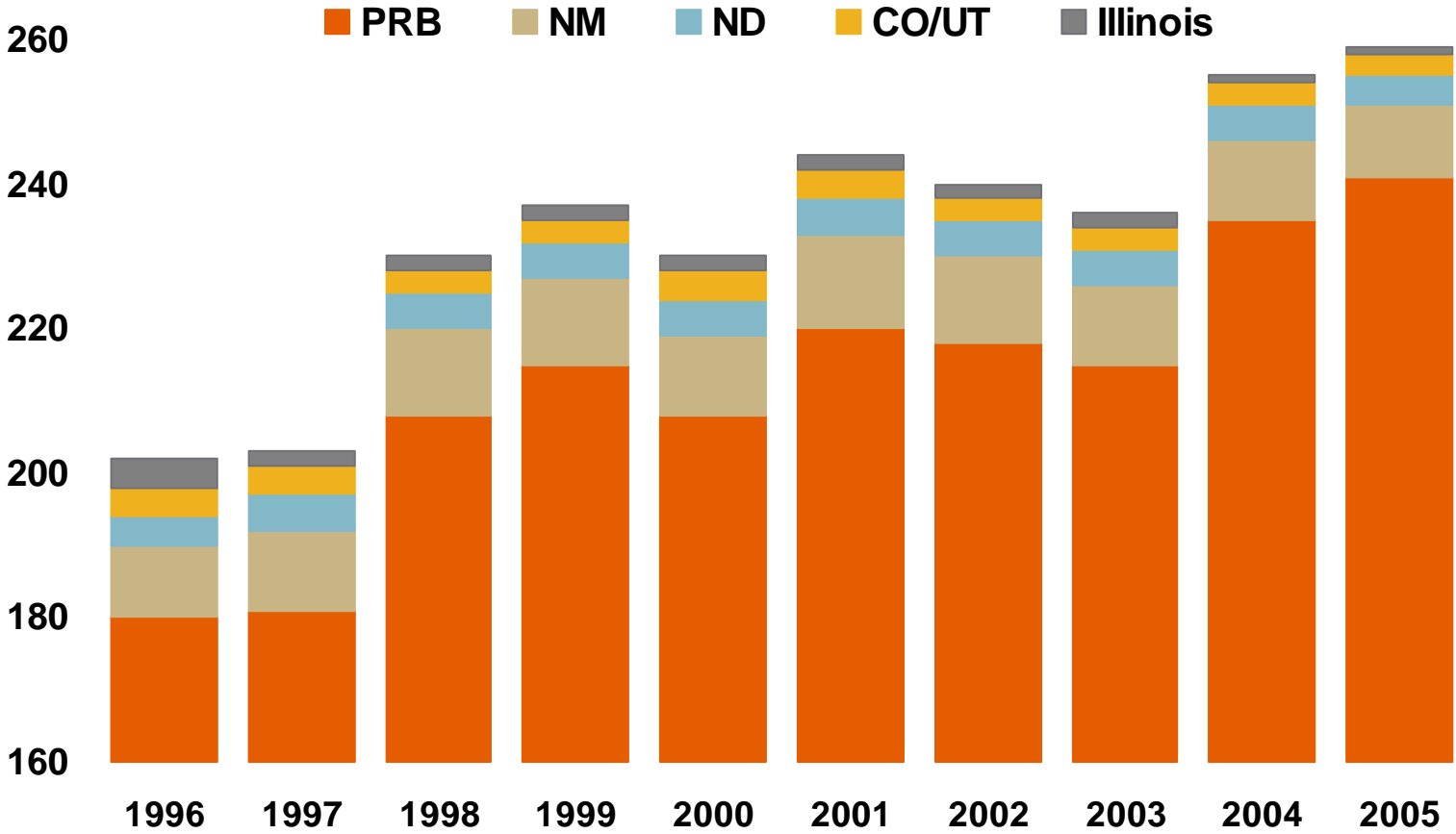
Wyoming and Montana PRB Coal Production



* BNSF forecast of 45 mm tons total PRB growth.

BNSF Coal Transportation

Million Tons

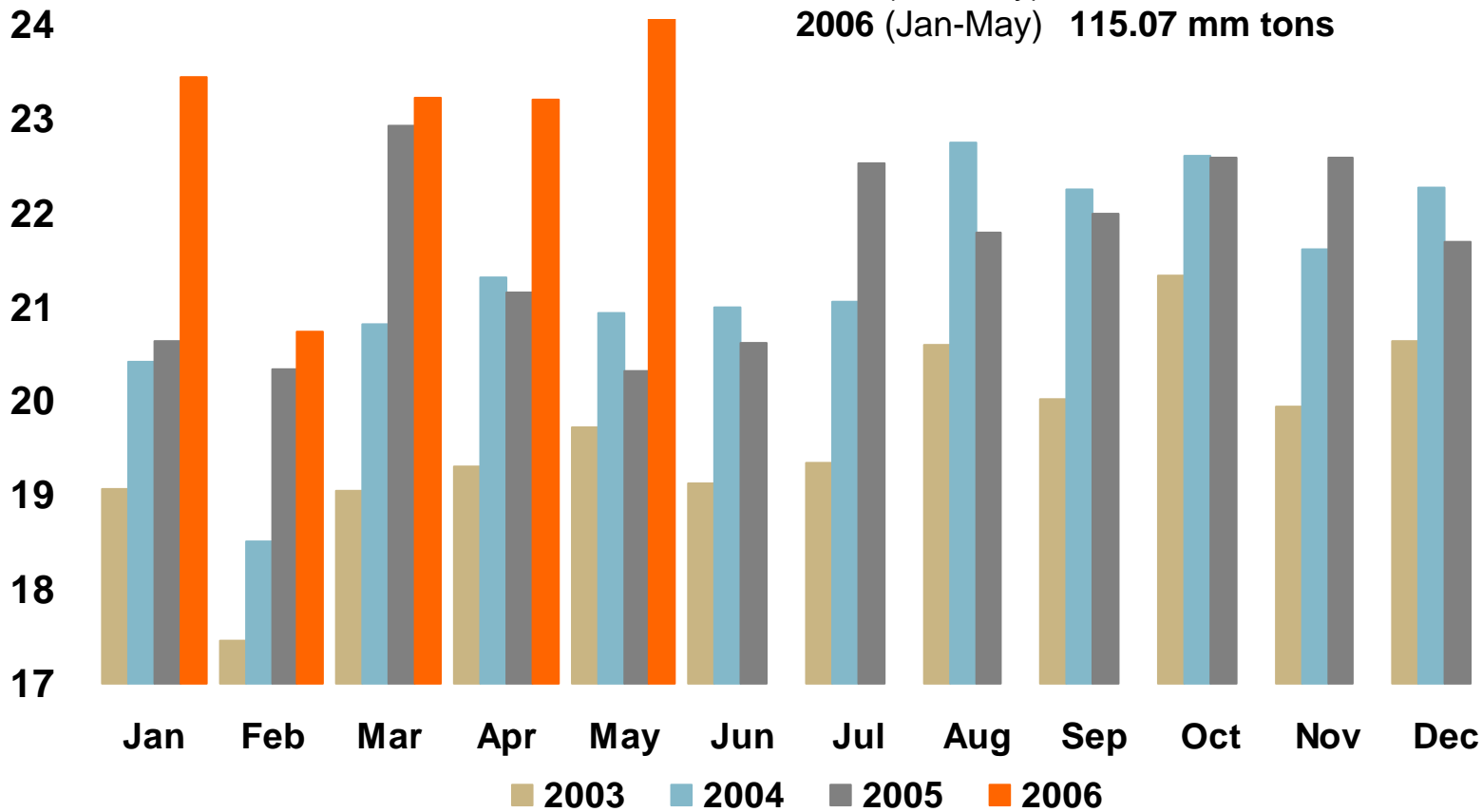


BNSF Monthly Coal Tons Delivered

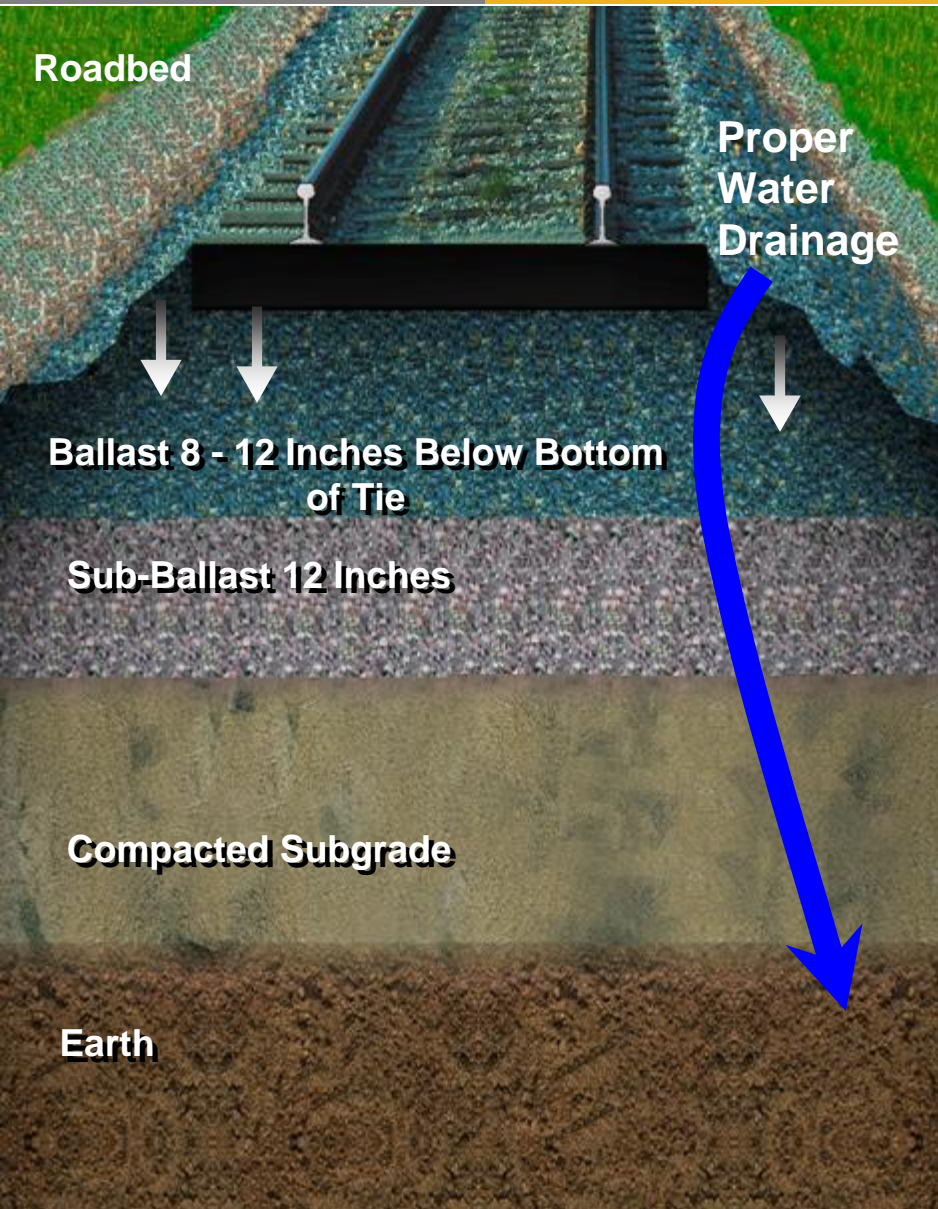
January 2003 – May 2006

Million Tons

2003 (Jan-May) 94.63 mm tons
2004 (Jan-May) 101.99 mm tons
2005 (Jan-May) 105.39 mm tons
2006 (Jan-May) 115.07 mm tons



Track Structure – Coal Dust Impact



PRB Coal Market Drivers

- **Increasing Electricity Demand**
- **U.S. Economic Growth (Increasing Industrial Demand)**
- **Rising Cost of Fossil Fuel Alternatives**
 - **Revived Trend Toward Coal-Fired Generation for New Units**
- **Lowest Cost Coal Alternative per BTU**
 - **Existing Plant Conversions to PRB Coal**
- **Emission Standards Increase Value of Low Sulfur Coal**
- **Efficient Transportation**
 - **Railroad Capital Investments**
 - **BNSF Transports PRB coal under predominantly transportation contracts and also common carrier rates**

BNSF Coal Capacity Investments

\$2.8 billion invested through 2005 and over \$0.6 billion forecast for 2006

\$ Millions

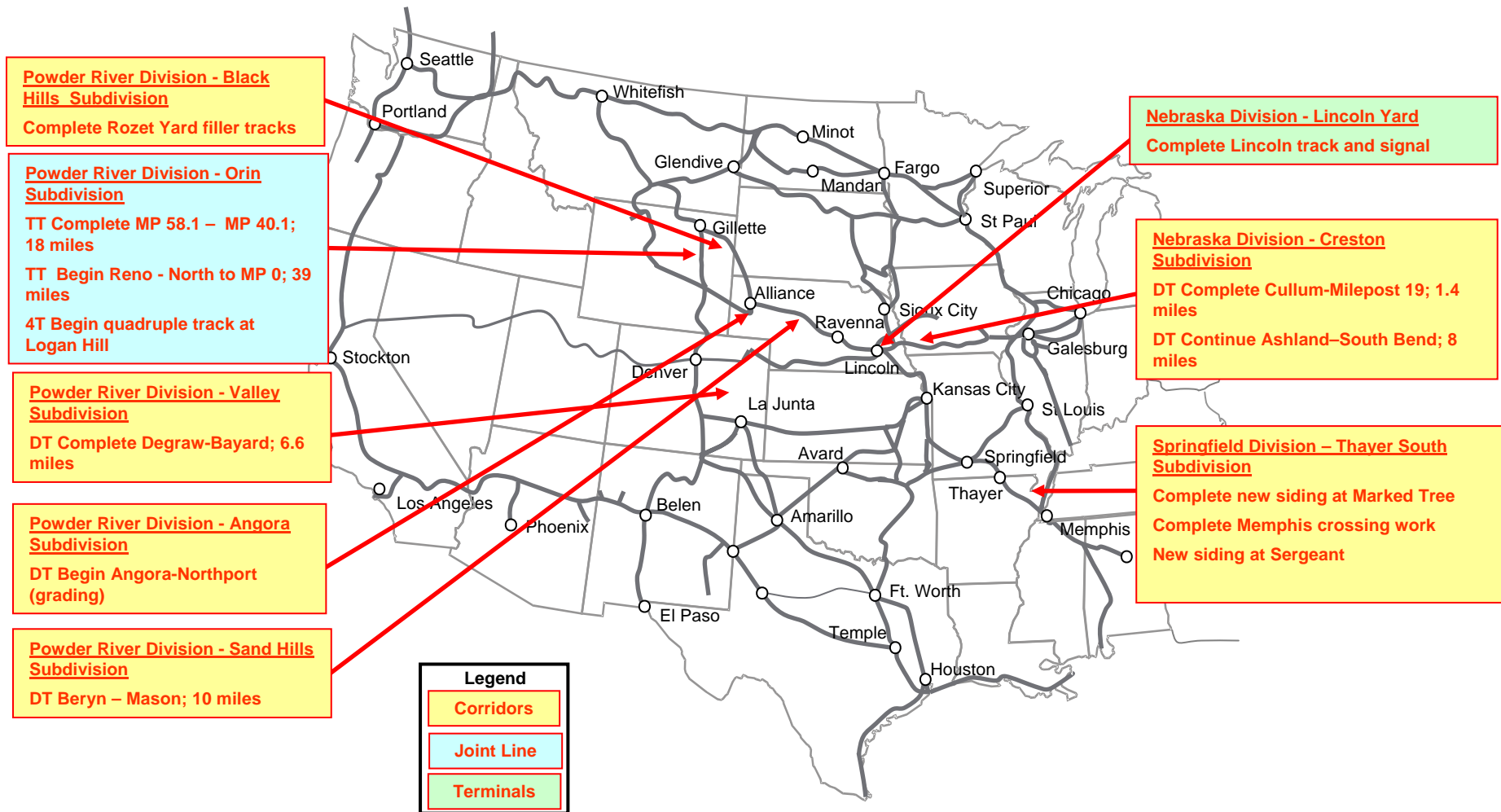
Year	Loco- motives	Cars	Joint line	Corridors	Terminals	Total
1994	\$247	\$22	\$13	\$16	\$9	\$307
1995	247	58	18	44	12	379
1996	118	19	19	51	32	239
1997	160	20	7	72	39	298
1998	235	22	8	134	20	419
1999	270	23	13	48	5	359
2000	56	0	0	13	1	70
2001	0	0	0	0	0	0
2002	0	0	0	2	0	2
2003	85	48	0	8	10	151
2004	102	104	15	3	18	242
2005	149	85	16	32	29	311
2006	<u>324</u>	<u>141</u>	<u>43</u>	<u>113</u>	<u>5</u>	<u>626</u>
Total	\$1,993	\$542	\$152	\$536	\$180	\$3,403

2006 Coal Capacity Expansion

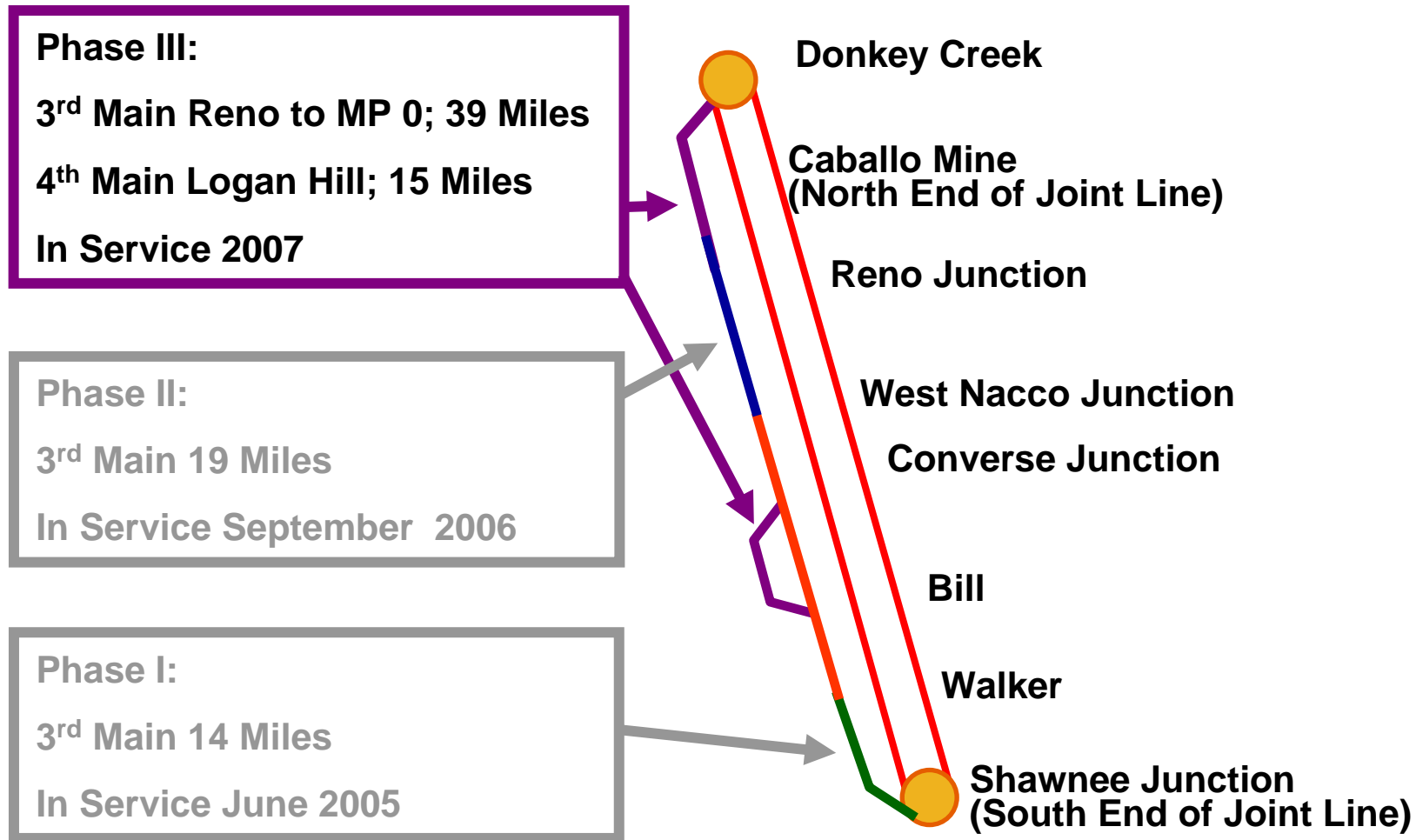
2006 Highlights

- **31.8 miles of double track**
- **18 miles of triple track on Orin subdivision**
- **Beginning quadruple track on Orin subdivision**
- **Complete filler tracks at Rozet**
- **Complete Memphis crossing work**
- **Complete Lincoln yard – track and signal**
- **180 AC GE locomotives**
- **14 train sets – 8 gondolas and 6 rapids**
- **2006 Total \$600 million**

2006 Coal Capital Capacity Expansion Projects



Joint Line Capacity Expansion



2006 Record Results (as of June 1)

- All time highest monthly BNSF/UP joint line tonnage (29.87mm tons in January)
- Four of top five highest BNSF/UP joint line tonnage months set in 2006
- All time highest monthly BNSF joint line tonnage (13.55mm tons in May)
- All time highest monthly BNSF system tonnage (24.44mm in May)
- Four of top five highest BNSF system tonnage months set in 2006
- All time highest BNSF monthly average coal trains loaded per day (55.45 tpd in May)
- Four of top five highest BNSF loaded trains per day months set in 2006
- All time highest monthly UP average PRB trains per day (35.13 tpd in March)
- All time highest BNSF PRB loadings in a single day (60 trains on April 23, 2006)
- All time highest BNSF/UP joint line loadings in a single day (76 trains on May 1)

PRB Rail Service Outlook

- **Heaviest tonnage line in the world with record tonnages being set -records will continue to be set.**
- **World class operation continues to raise the bar in terms of throughput capability, capacity and track maintenance throughout the railroad industry.**
- **Additional capacity needed to accommodate throughput and buffer capabilities for this growth.**
- **If the growth in demand continues, we will continue to make the investments to handle that growth if returns justify.**
- **Addressing service reliability issues is a three party effort, the railroads, the mines, and the utilities.**
- **All must work together to address the issues of velocity, reliability, and growth.**

Summary

- **PRB coal demand forecasted to grow.**
- **Investment consistent with volume and profitability.**
- **National rail policy must encourage investment.**
- **Railroad service from the PRB has a long history of service reliability over decades.**
- **Same high service demands and standards for contract and common carrier traffic.**
- **FERC support for mine and utility dust mitigation can aid reliability.**

Return on Invested Capital Reconciliation

	2005	2004	2003	2002	2001	2000	1999	1998	1997
Average capitalization (a)	\$ 19,832	\$ 19,069	\$ 18,409	\$ 18,110	\$ 17,421	\$ 16,712	\$ 16,164	\$ 14,792	\$ 13,142
Operating income	\$ 2,922	\$ 1,686	\$ 1,665	\$ 1,656	\$ 1,750	\$ 2,113	\$ 2,209	\$ 2,158	\$ 1,767
Other expense	(37)	(4)	(14)	(12)	(114)	(65)	3	(22)	19
Financing charge (b)	305	274	263	259	372	331	188	155	130
Adjustments for unusual items		465					31		90
Taxes (c)	(1,196)	(917)	(707)	(715)	(750)	(908)	(916)	(858)	(763)
After-tax income excluding financing charges and 2004 charge	\$ 1,994	\$ 1,504	\$ 1,207	\$ 1,188	\$ 1,258	\$ 1,471	\$ 1,515	\$ 1,433	\$ 1,243
Return on invested capital (d)	10.1%	7.9%	6.6	6.6%	7.2%	8.8%	9.4%	9.7%	9.5%

(a) Average capitalization is calculated as the 13-month moving average of the sum of net debt (total debt less cash and cash equivalents), stockholder's equity, net present value of future of operating lease commitments, and the receivables sold under the accounts receivable sales program (A/R sales.)

(b) Financing charges represent the estimated interest expense included in operating lease payments and receivable sales fees.

(c) Taxes are calculated as the sum of monthly net operating income, other expense, receivable sales, and an operating lease interest factor (estimated interest expense included in the operating lease payments), multiplied by a federal tax rate perspective to each month.

(d) Return on invested capital is calculated as the total after-tax income excluding financing charges and the 2004 charge for the change in the estimate of unasserted asbestos and environmental liabilities, divided by average capitalization.