

# BNSF Comments to Minnesota Legislative Energy Commission

December 10, 2014

2014 BNSF has hauled more coal system-wide than in the previous two years. Declining trends in coal demand suddenly reversed in 2013 with changes in the price of natural gas and a resulting shift by utilities back to coal. The increased demand by utility customers has in some cases exceeded the railroad's ability to deliver. The railroad has faced difficulties caused by overall traffic exceeding capacity, severe weather early in the year, flooding, and extensive track projects to maintain infrastructure and expand capacity to better handle traffic in the future.

BNSF has maintained regular high-level communication with all of our coal customers. Where service needs are heavily driven by the circumstances of individual shippers, BNSF has been working extensively one-on-one with its coal shippers to understand and respond to individual needs. We have a customer review process in place that works to balance multiple factors, such as customer demand, stockpile status, commercial obligations, and operating parameters, and includes an escalation process for critical customers whose stockpiles dip below certain levels. BNSF has also taken steps to route traffic in ways that improve the flow of coal trains through and around construction zones.

BNSF is investing to increase capacity in the most constrained portions of its network, including portions that are heavily traversed by coal traffic. In 2014 BNSF embarked on a record-setting \$5 billion capital program, which includes track projects and purchasing additional locomotives. About \$1 billion was spent to purchase 500 new locomotives. Another \$1 billion was spent on capacity improvement projects, much of that on BNSF's northern corridor. About \$2.5 billion (\$120 million in Minnesota) is being spent on additional capital projects to improve existing track with new rail, crossties and surfacing projects. This work will result in improved velocity and flow of all traffic, including coal. As the projects are wrapping up, the railroad is already seeing improvement in train performance and delivery of coal. BNSF is also hiring 6,000 employees this year, including about 300 in Minnesota. These new employees will increase the number of train service and track maintenance employees in the State.

BNSF has made additional investments in preparation for winter across the Northern region, including installation of switch heaters and switch covers, adding new winter mitigation equipment to locomotives, and keeping on more than 300 maintenance of way employees who are traditionally furloughed during the winter to assist with snow removal. BNSF detailed its winter preparedness plans in a letter from Steve Bobb, Executive Vice President and Chief Marketing Officer, BNSF 2014-2015 Winter Preparations and Plans (October 29, 2014).

<http://domino.bnsf.com/website/updates.nsf/updates-customer-consumer/4D2E5B33D11BE01D86257D80006080F1?Open>

Going forward, BNSF recently announced that the 2015 capital program will be \$6 billion, a new record. Next year's program will include additional capacity improvement projects, including ones in Minnesota. These will include building double track, constructing new sidings, and installing new signal systems and power switches. The capacity improvements in Minnesota will occur over a period of two or three years.

Regarding propane, BNSF's role is to handle traffic delivered to it by customers. The railroad does not own the tank cars in which propane is hauled; they are provided by the customers. In 2014 BNSF has worked with propane customers, such as CHS, Alliance Energy and Amerigas, on the location of new facilities or expansion of existing ones. The facilities are located at Benson, Montevideo, Rockville, Deer River and Hankinson, MN; and at Hannaford, ND. Through October, BNSF experienced a sharp increase in propane shipments to Minnesota in 2014. Carloads are up roughly 50 percent, compared with 2013. BNSF is prepared to handle additional propane shipments delivered to it by its customers.

BNSF also maintains a Service Overview webpage (<http://www.bnsf.com/customers/service-page/index.html>), which collects all ongoing communications in one place for easy access by BNSF customers. We encourage you to visit that page, which contains regularly updated information on how our network is performing, our short-term and long-term plans to increase network velocity, and our progress against those plans.

Submitted on Behalf of BNSF Railway Company

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