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July 11, 2014

236310

Ms. Cynthia Brown  
Chief, Section of Administration  
Office of Proceedings  
Surface Transportation Board  
395 E Street, SW  
Washington, DC 20423-0001

ENTERED  
Office of Proceedings  
July 11, 2014  
Part of  
Public Record

**Re: STB Ex Parte No. 724 (Sub-No. 2), United States Rail Service Issues—Grain**

Dear Ms. Brown:

Enclosed for electronic filing in the above captioned proceeding is the Weekly Report of BNSF in response to the Board's Order of June 20, 2014. Thank you for your attention to this matter.

Sincerely,

A handwritten signature in blue ink, appearing to read "Jill K. Mulligan".

Jill K. Mulligan

**BEFORE THE  
SURFACE TRANSPORTATION BOARD**

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**STB EX PARTE NO. 724 (Sub-No. 2)**

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**UNITED STATES RAIL SERVICE ISSUES--GRAIN**

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**WEEKLY REPORT OF  
BNSF RAILWAY COMPANY**

BNSF Railway Company (“BNSF”) provides the following third weekly status report in response to the Board’s Order of June 20, 2014 in the above referenced sub-docket. The Board’s Order requests weekly status reports containing the following metrics by state: (a) running total of outstanding grain car orders at the end of the week; (b) total number of new orders for the week; (c) total number of orders filled for the week; (d) number of orders cancelled by shippers for the week; (e) number of orders cancelled by BNSF for the week; and (f) average number of days late for all outstanding grain car orders. The Board’s Order also asks for the number of cars allocated to grain car service each week, including private cars in service.

Pursuant to the Board’s order, included herein is the weekly update on the performance measures contained in Attachment A reflecting our efforts to resolve the backlog of grain orders from the prior harvest. Attachment A contains updated metrics for the most recent seven-day period, ending on the morning of July 10, 2014. As a supplement to the information provided in Attachment A, in this report we will begin including an additional dataset to show our progress on reducing the number of past dues. New Attachment B contains BNSF’s intended glide path for reducing the number of U.S. past dues for the prior season before mid-September. The glide path takes into account current outstanding past due orders on our network and includes an

estimate that approximately 250 additional new orders will be placed each week for movement of prior harvest. The progress towards meeting the past due goal will be steady overall, but uneven on a day-to-day and week-to-week basis. As reflected in Attachment B, we expect to substantially reduce the backlog to its minimum level by mid-September. It is important to note that, even as we meaningfully work down the past due orders, the number will not reach zero for a number of reasons, including:

- Some shippers will choose not to move grain because of market conditions, including holding back shipments to take advantage of anticipated increases in grain prices later in the summer;
- BNSF recognizes that in meeting the STB's goal, it must maintain service and its offerings to all the other segments of the grain market, including shuttle customers and processors;
- A second large harvest in a row will create unusually large amounts of volume to be moved; and
- Overall figures for new order and past dues (which are orders that are outstanding more than three days past the shipper's want date) will include volumes from the new harvest starting as early as August.

It is important that the Board understand that even if all pending orders and past dues were transported, it does not mean all stored grain will move. There are multiple factors as to why stored grains move or do not move.

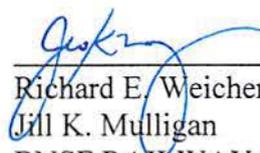
While BNSF does not have consistent visibility into overall volumes that may remain from the prior harvest or into all the various factors that impact if and when car orders will be placed, the Attachment B glide path attempts to reflect market intelligence we have received

around remaining volumes from the prior harvest, as well as balance the goal of reducing the backlog of non-shuttle past due orders with the need to efficiently move the largest amount of volume for all our customers. As part of our weekly filing in this subdocket, we will provide updates showing the reduction to the backlog and how we are tracking against our anticipated glide path. The results for the first three weeks following the Board's order are provided in Attachment B herein.

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We will continue to provide weekly updates of Attachment A and B pursuant to the Board's June 20, 2014 order. Most importantly, BNSF will continue to communicate frequently and substantively with our customers through letters, customer forums, meetings and broadcasts to ensure that all our customers understand our service situation and that we can hear specific feedback. We refer the Board and staff again to BNSF's Service Overview webpage (<http://www.bnsf.com/customers/service-page/index.html>). We have also included as Attachment C a copy of our most recent communication from John Miller, Group Vice President for Agricultural Products, which was made yesterday to our agricultural customers.

Respectfully submitted,

  
Richard E. Weicher  
Jill K. Mulligan  
BNSF RAILWAY COMPANY  
2500 Lou Menk Drive  
Fort Worth, Texas 76131

July 11, 2014

# Attachment A

## 2014 Grain Orders Update

Past Due orders are as of 07/10 - All other measures are for preceding week, 07/03-07/09

	Past Dues			New Past Dues		New Orders		Orders Filled		Cancelled Orders	
	Cars	Stations	Avg. Days	Cars	Stations	Cars	Stations	Cars	Stations	Shipper	BNSF
AR	0	0	0.0	0	0	0	0	0	0	0	0
CA	22	1	17.4	0	0	0	0	1	1	0	0
CO	6	2	9.3	2	1	2	1	9	2	0	0
IA	6	1	6.0	6	1	0	0	17	2	0	0
ID	7	1	21.0	1	1	0	0	0	0	0	0
IL	0	0	0.0	0	0	0	0	1	1	0	0
KS	57	3	4.9	15	1	0	0	2	2	0	0
MN	547	19	21.2	197	8	90	8	382	8	1	0
MO	1	1	5.0	0	0	3	1	30	1	0	0
MT	1,212	22	32.5	130	11	85	7	419	16	0	0
ND	4,561	87	30.2	570	31	522	30	994	33	8	0
NE	181	7	16.7	51	5	5	1	163	6	0	0
OK	25	1	1.0	0	0	0	0	2	1	0	0
OR	3	1	26.0	0	0	0	0	0	0	0	0
SD	341	6	7.0	251	3	158	2	59	2	5	0
TX	23	2	15.1	0	0	15	1	29	4	0	0
WA	31	2	17.1	5	1	0	0	83	10	20	0
WI	16	1	17.3	0	0	27	1	3	1	0	0
WY	8	1	16.1	1	1	19	2	22	3	0	0
<b>BNSF Total</b>	<b>7,047</b>	<b>158</b>	<b>27.9</b>	<b>1,229</b>	<b>64</b>	<b>926</b>	<b>54</b>	<b>2,216</b>	<b>93</b>	<b>34</b>	<b>0</b>

*Car orders become past due when they are greater than 3 days past the desired want date*

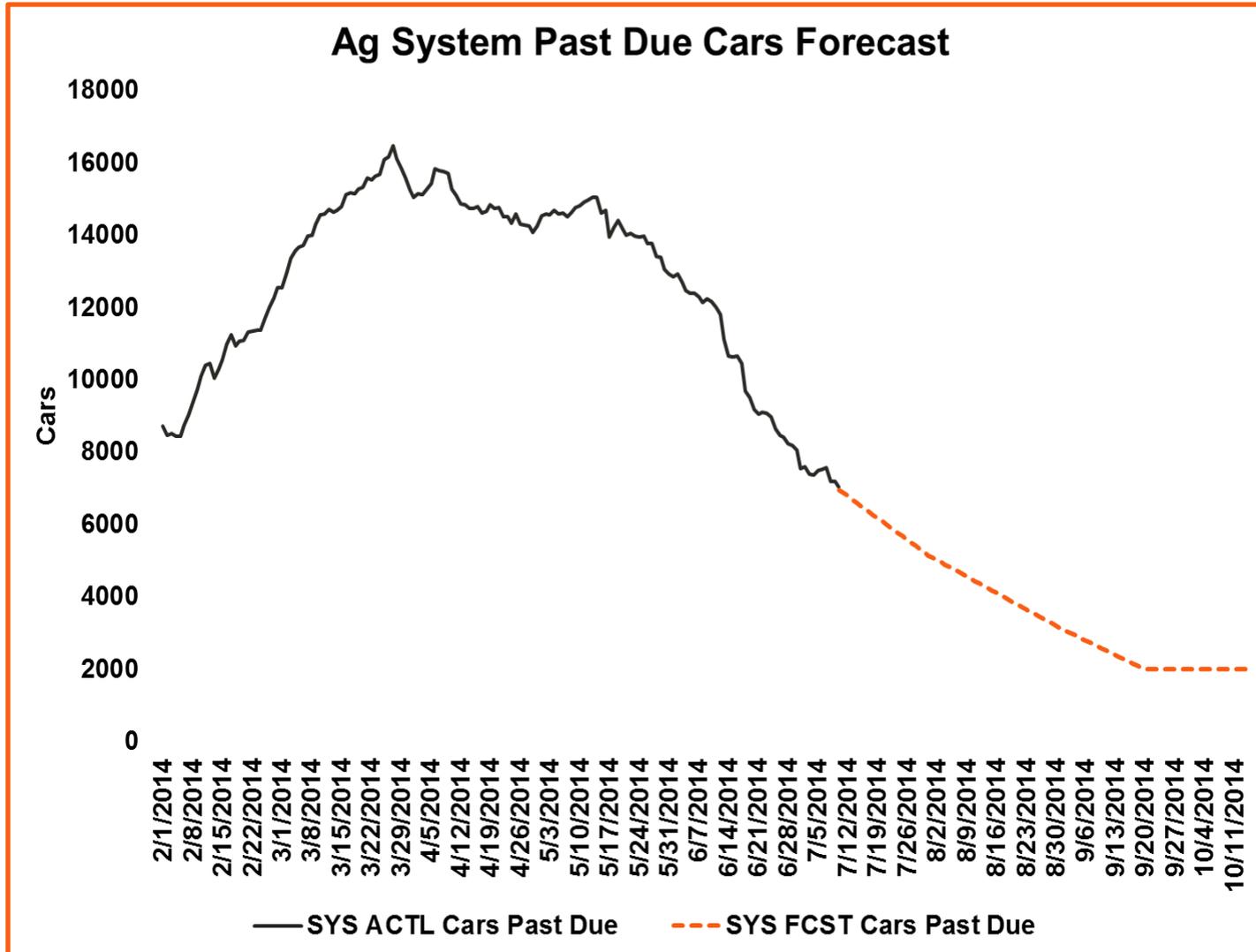
Current BNSF past due of 7,047 is down 4.6% vs 7,388 last week

Current BNSF active grain fleet is 25,230 cars, with 47.5% under load (active empty fleet: 13,251 cars)

Current private equipment in grain service is approximately 225 cars



# System PD Forecast



\*Data through 7/09/2014 - Forecast as of 7/10/2014

## Attachment C



The Engine that Connects Us



# CustomerLetter

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Customer Notifications inform BNSF customers of the latest news covering BNSF services, tools, prices and facilities.

**To: BNSF Agricultural Customers**

07/10/2014

### Update on BNSF Preparations for the Fall Harvest

Dear Customer,

I am writing to update you on the state of our investments in the railroad, as part of the continuous communication you have received directly from me since Feb. 1. We are dedicated to restoring the level of service that you have come to expect from us. I have met with numerous groups and associations in the past five months and listened to your feedback. As we now move forward into the fall harvest this year, I would like to outline the steps we have taken in preparation to move significant amounts of grains.

As we move through summer, the additional capacity we have promised is beginning to come online as we implement our \$5 billion 2014 capital plan. As many of you know, capacity comes in three ways; people, locomotives/railcars and track. I am glad to report that we are making considerable progress in all three of those areas.

This week, I was on our Lakeside subdivision in eastern Washington and saw several of the 10-20 mile capacity expansion segments that either are in place or will be in the next several months. In addition, we now have 22 miles of double track in service on the Glasgow subdivision. By October, we will have about 60 miles of double track on this important subdivision in Montana and western North Dakota. These improvements are all a part of the \$1 billion expansion and maintenance capital program we are executing this year on our northern region.

Our locomotive fleet continues to increase as well, having received about half of our 2014 program of 500 locomotives. In fact, the number of trains holding for power on our Northern Corridor is lower than it has been for several months. We have also hired well over 4,000 people, which is far along the path of achieving this year's plan of over 5,000 new hires. As capacity is added a siding and a segment at a time, we will expect pronounced velocity improvements.

We have also been making significant progress on reducing past due orders and will continue to greatly reduce the total number that now stands around 7,000 cars. Our plan is to spot 450 cars per day, and combined with new orders coming in, should result in a reduction to less than 2,000 past due cars by mid-September. If the new harvest is as strong as it appears to be, we will never reach zero past dues. That said, we expect substantial volume improvements as we will offer more shuttles and COTs this fall than we did in 2013 and our performance will be better than it was last year.

I recognize that some customers' plans to utilize their ordered freight may have changed during our delay to provide empty railcars. I want to let you know we plan to temporarily change our car order cancellation policies. Effective Friday, July 11 we will suspend our order cancellation charges and refund pre-payments on cancelled car orders until Aug. 15.

As you all know, the Surface Transportation Board (STB) has been paying close attention to rail service issues and several of you have contacted them directly. In response, they have taken several actions. In April, responding to regional concerns about fertilizer availability, they asked that we pay special attention to getting the product to market. We had already begun this effort, and this being a relative small number of trains, we completed this initiative ahead of time and we believe achieved success.

Following some additional listening sessions, the STB has now asked for that same focus on past due grain orders. While we will comply with the directive, we are concerned with some of the implications. First, we at BNSF are acutely aware that these service issues arise from strained network capacity, and we believe our mission is to move as much volume as possible given the limits of our network capacity. We believe we best accomplish this by balancing the capacity allocated to single cars versus shuttles. Intervening in that balance will have the unintended consequence of reducing the amount of grain moved; less than the market needs us to move or that the railroad is capable of handling.

Second, we are concerned that these specific orders will encourage all system users to seek regulatory intervention. Altering our service priorities through regulation will potentially pit one region versus another, or even one commodity versus another, compromising the network and hurting the system overall. And this is not an idle concern—already ethanol producers have publicly asked for a focus on their product.

In summary, we have and will continue to make every effort to frequently communicate and be transparent with our customers, and also our regulators and other interested parties. For our customers, you will see improvement in our railroad, and on behalf of our leadership a continued commitment to the resources necessary to handle all of our customers' business.

Sincerely,

John Miller  
Group Vice President,  
Agricultural Products

If you have any questions, please send an email to [Customer.Notifications@bnsf.com](mailto:Customer.Notifications@bnsf.com)

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