

Burlington Northern Santa Fe Corporation

Fuel Surcharge Briefing STB Hearing May 11, 2006



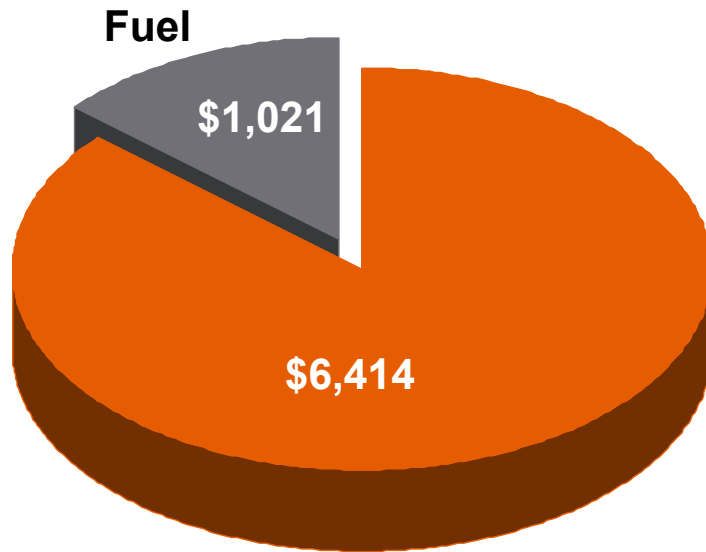
BNSF Fuel Surcharge Program - Overview

- **Objective - recover the increase in fuel expense**
- **In response to**
 - **High cost of fuel**
 - **Fuel price volatility**

Fuel expense has become a much higher expense for BNSF

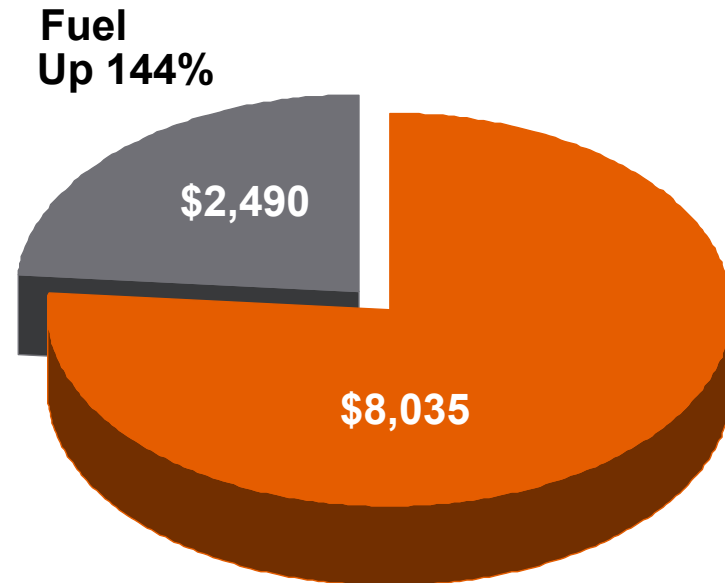
\$ Millions

Operating Expenses 2001



All Other Costs

Operating Expenses 2005

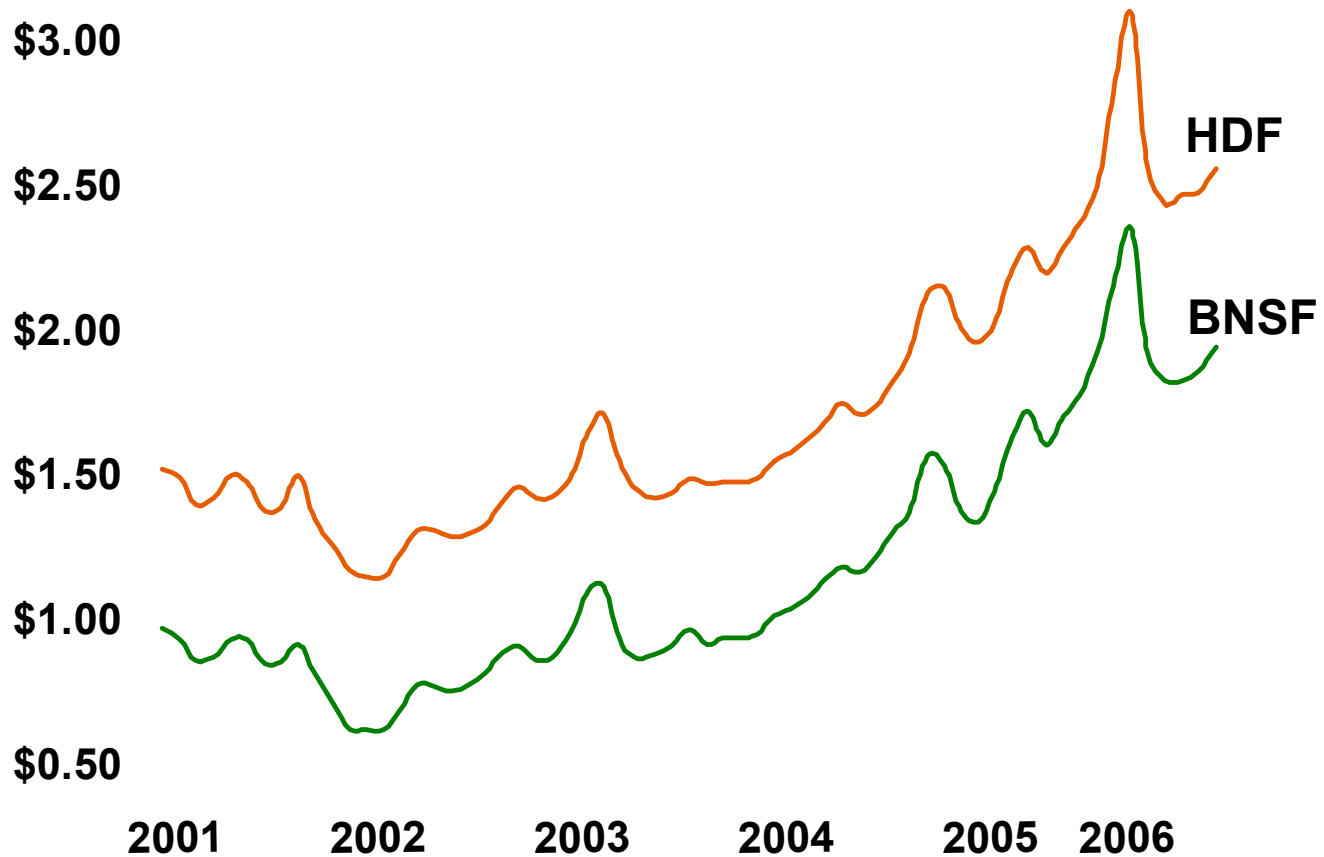


All Other Costs
Up 25%

Fuel expense excludes hedges

Fuel Price Volatility

Highway Diesel Fuel vs. BNSF Diesel Fuel



Hedging is independent of fuel surcharge

- **A risk mitigation activity**
 - **Hedges – current commitments for future fuel prices**
 - **Sometimes beneficial / sometimes detrimental**
 - **2005 – fuel expense reduced by 21% due to hedging**
 - **1998 – fuel expense increased by 13% due to hedging**
 - **Existing favorable hedges expire within one year**
- **Many customers hedge in their business operations**

History of BNSF Fuel Surcharge Program

- **Truck fuel surcharge program widely accepted**
- **Original program modeled after truck**
- **Entry point based on historical average cost of highway diesel fuel**
- **Percent of freight bill for convenience**
- **Lower percent of freight bill than truck**

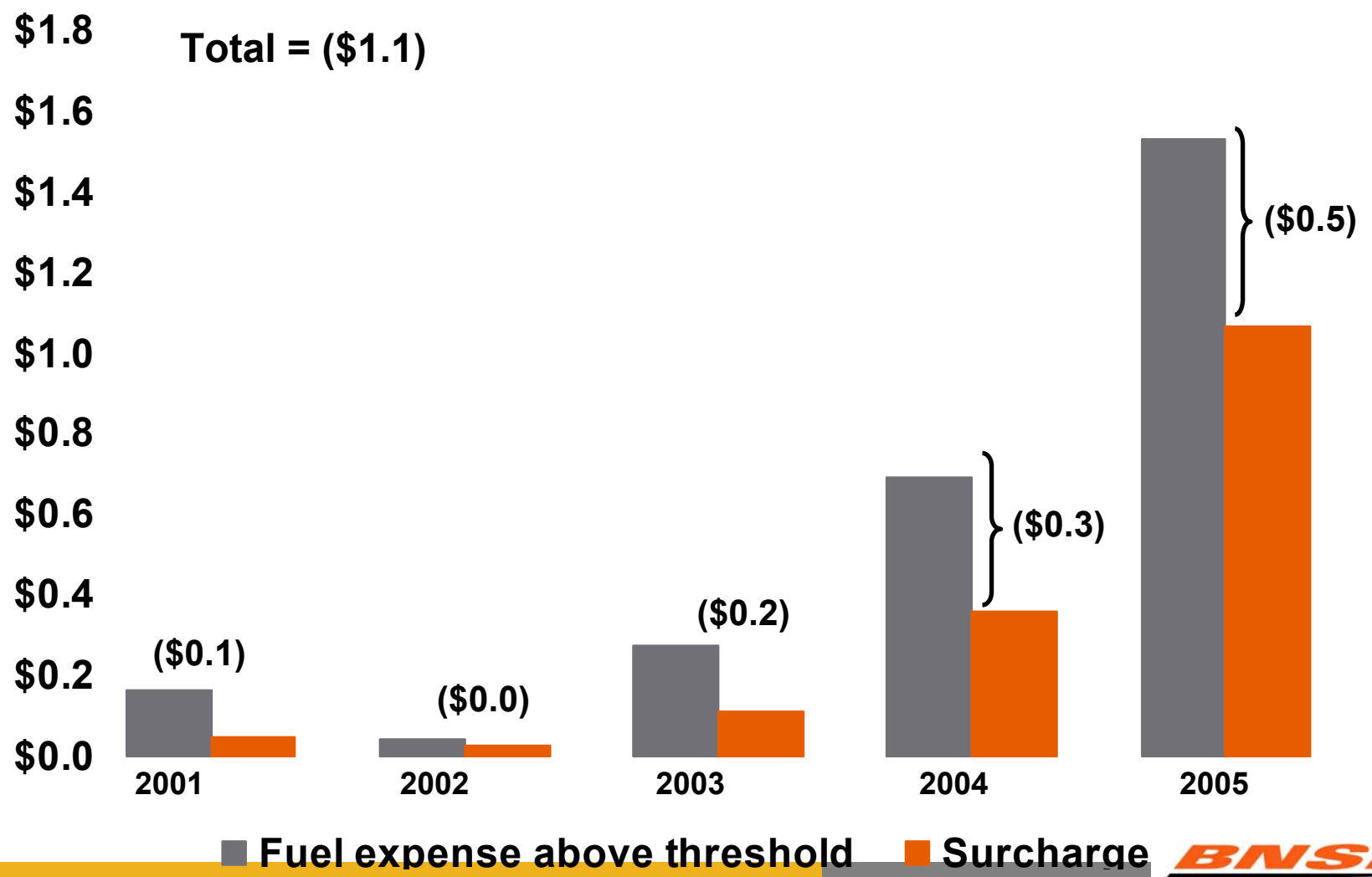
Mileage Based Program

- **Mileage based program reflects fuel usage**
- **Tables built on business unit fuel intensities (weight & speed)**
- **Mileage table based on rail miles**
- **Coal and agricultural products – January 1, 2006**
 - **Responsive to customer concerns**
 - **Did not convert consumer and industrial products based on customer feedback**

Are we Profiting from Fuel Surcharge?

Cumulative under recovery of \$1.1 billion for last 5 years

\$ Billions



BNSF Fuel Surcharge - Conclusions

- **Implemented to cover escalating fuel costs**
- **Not fully recovering fuel cost above threshold**
- **Responsive to customer concerns in the marketplace**
- **Mileage based surcharges are most appropriate**

Fuel surcharge tables publicly available

The screenshot shows a Microsoft Internet Explorer browser window displaying the BNSF website. The address bar shows the URL: http://www.bnsf.com/markets/intermodal/fuel_surcharge_revenue.html. The website header includes navigation links: ABOUT BNSF, PROSPECTIVE CUSTOMER, MARKETS & SERVICES, CUSTOMER TOOLS, INVESTORS, MEDIA, SUPPLIERS, COMMUNITIES, EMPLOYEES & RETIREES, and CAREERS. The BNSF RAILWAY logo is prominently displayed. A search bar and a 'REGISTER / LOGIN' dropdown menu are visible. The main content area is titled 'Intermodal Revenue-based Fuel Surcharge' and includes a link to the 'Intermodal Fuel Surcharge (main page)'. A paragraph explains that this table reflects the weekly average HDF price and the associated BNSF Intermodal fuel surcharge. It also notes that in the future, when the Mileage-based fuel surcharge program is implemented, this table will only be applicable for BNSF joint-line (through) shipments and BNSF local shipments. A table titled 'BNSF Intermodal Revenue-based Fuel Surcharge' provides the following data:

U.S. National Average Highway Diesel Fuel Price Range	BNSF Intermodal Fuel Surcharge
\$0.00 - \$1.239	0.0%
\$1.24 - \$1.279	1.0%
\$1.28 - \$1.319	1.5%
\$1.32 - \$1.359	2.0%
\$1.36 - \$1.399	2.5%
\$1.40 - \$1.439	3.0%
\$1.44 - \$1.479	3.5%
\$1.48 - \$1.519	4.0%

Additional elements on the page include an 'ALSO SEE...' section with links to BNSF Mexico, Economic Development, Coiled Metal, Fuel Surcharge, Glossary, How Intermodal Works, Load & Ride Solutions, Rules & Policies Guide, Service Schedules, and ValueTrax. There are also promotional banners for the 2006 calendar and 2005 Awards & Recognitions.

- Details are available at BNSF.com

BNSF SM

The logo features the letters "BNSF" in a bold, italicized, orange sans-serif font. A thick black horizontal bar is positioned below the letters, starting from the left edge of the "B" and ending under the "F". A small "SM" trademark symbol is located to the right of the "F".