UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-K/A

Amendment No. 1

[x]ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

FOR THE FISCAL YEAR ENDED DECEMBER 31, 2014

OR

[ ]TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

FOR THE TRANSITION PERIOD FROM ___________TO ___________

COMMISSION FILE NUMBER: 1-6324

(Exact name of registrant as specified in its charter)

BNSF Railway Company

State of Organization	I.R.S. Employer Identification No.
Delaware	**41-6034000**

Address of principal executive offices, including zip code
2650 Lou Menk Drive, Fort Worth, Texas 76131-2830
Registrant's telephone number, including area code
(800) 795-2673

Securities registered pursuant to Section 12(b) of the Act:
The securities below are registered on the New York Stock Exchange

Title of each class

Burlington Northern Inc. (Now BNSF Railway Company)
Consolidated Mortgage Bonds
6.55%, Series K, due 2020
3.80%, Series L, due 2020
3.20%, Series M, due 2045
8.15%, Series N, due 2020
6.55%, Series O, due 2020
8.15%, Series P, due 2020

Northern Pacific Railway Company
General Lien Railway and Land Grant 3% Bonds, due 2047

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. **Yes [ ] No [x]**

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. **Yes [ ] No [x]**

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirement for the past 90 days. **Yes [x] No [ ]**

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). **Yes [x] No [ ]**

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§ 229.405) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. **[x]**

Indicate by check mark whether the registrant is a large accelerated filer, accelerated filer, non-accelerated filer, or smaller reporting company (as defined in Rule 12b-2 of the Act).

Large accelerated filer [ ] Accelerated filer [ ] Non-accelerated filer [x] Smaller reporting company [ ]

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). **Yes [ ] No [x]**

Indicate the number of shares outstanding of each of the registrant's classes of common stock, as of the latest practicable date:

1,000 shares of Outstanding Common Stock, $1.00 par value, as of February 27, 2015

*BNSF Railway Company is a wholly-owned subsidiary of Burlington Northern Santa Fe, LLC; as a result, there is no market data with respect to registrant's shares.

DOCUMENTS INCORPORATED BY REFERENCE
None

REGISTRANT MEETS THE CONDITIONS SET FORTH IN GENERAL INSTRUCTION (I)(1)(a) AND (b) OF FORM 10-K AND IS THEREFORE FILING THIS FORM WITH THE REDUCED DISCLOSURE FORMAT.

BNSF Railway Company

Form 10-K/A Amendment No. 1
Explanatory Note

This Amendment No. 1 on Form 10-K/A (this "Form 10-K/A") to the Annual Report on Form 10-K of BNSF Railway Company (the "Company") for the fiscal year ended December 31, 2014, initially filed with the U.S. Securities and Exchange Commission on February 27, 2015 (the "Original Filing"), is being filed solely to insert the conformed signature of our independent auditors on their Report of Independent Registered Public Accounting Firm with respect to the audited financial statements of the Company included in the Original Filing, as required by Rule 2-02(a)(2) of Regulation S-X, which conformed signature was inadvertently omitted from the Original Filing.

Except for the foregoing amended information, this Form 10-K/A does not amend or update any other information contained in the Original Filing.

Part II

Item 8. Financial Statements and Supplementary Data

The Consolidated Financial Statements of BNSF Railway and subsidiary companies, together with the report of the Company's independent registered public accounting firm, are included as part of this filing.

The following documents are filed as a part of this report:

Consolidated Financial Statements

Report of Independent Registered Public Accounting Firm

To the Shareholder and Board of Directors of BNSF Railway Company

We have audited the accompanying consolidated balance sheets of BNSF Railway Company and subsidiaries (the "Company") as of December 31, 2014 and 2013, and the related consolidated statements of income, comprehensive income, changes in equity, and cash flows for each of the three years in the period ended December 31, 2014. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of BNSF Railway Company and subsidiaries as of December 31, 2014 and 2013, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2014, in conformity with accounting principles generally accepted in the United States of America.

/s/ DELOITTE & TOUCHE LLP

Fort Worth, Texas
February 27, 2015

BNSF Railway Company and Subsidiaries

Consolidated Statements of Income

In millions

	Year Ended December 31, 2014	Year Ended December 31, 2013	Year Ended December 31, 2012
Revenues	**$ 22,714**	$ 21,552	$ 20,478
Operating expenses:			
Compensation and benefits	**4,983**	4,615	4,472
Fuel	**4,478**	4,503	4,459
Purchased services	**2,167**	2,064	2,122
Depreciation and amortization	**2,117**	1,968	1,888
Equipment rents	**867**	822	810
Materials and other	**1,108**	912	764
Total operating expenses	**15,720**	14,884	14,515
Operating income	**6,994**	6,668	5,963
Interest expense	**44**	57	55
Interest income, related parties	**(102)**	(82)	(57)
Other expense, net	**11**	10	11
Income before income taxes	**7,041**	6,683	5,954
Income tax expense	**2,644**	2,412	2,234
Net income	**$ 4,397**	$ 4,271	$ 3,720

See accompanying Notes to Consolidated Financial Statements.

BNSF Railway Company and Subsidiaries

Consolidated Statements of Comprehensive Income

In millions

	Year Ended December 31, 2014	Year Ended December 31, 2013	Year Ended December 31, 2012
Net income	**$ 4,397**	$ 4,271	$ 3,720
Other comprehensive income:			
Change in Pension and Retiree Health and Welfare benefits, net of tax benefit of $156 million, tax expense of $305 million and tax benefit of $16 million, respectively	**(251)**	492	(28)
Change in fuel hedge mark-to-market, net of tax benefit of $0 million, $0 million and $7 million, respectively	**—**	—	(11)
Change in accumulated other comprehensive income of equity method investees	**4**	(2)	(3)
Other comprehensive income (loss), net of tax	**(247)**	490	(42)
Total comprehensive income	**$ 4,150**	$ 4,761	$ 3,678

See accompanying Notes to Consolidated Financial Statements.

BNSF Railway Company and Subsidiaries

Consolidated Balance Sheets

In millions

	December 31, 2014	December 31, 2013
Assets		
Current assets:		
Cash and cash equivalents	**$ 585**	$ 532
Accounts receivable, net	**1,350**	1,264
Materials and supplies	**795**	835
Current portion of deferred income taxes	**355**	358
Other current assets	**351**	239
Total current assets	**3,436**	3,228
Property and equipment, net of accumulated depreciation of $3,547 and $2,231, respectively	**55,788**	52,347
Goodwill	**14,803**	14,803
Intangible assets, net	**506**	811
Other assets	**1,944**	2,272
Total assets	**$ 76,477**	$ 73,461
Liabilities and Stockholder's Equity		
Current liabilities:		
Accounts payable and other current liabilities	**$ 3,144**	$ 3,083
Long-term debt due within one year	**116**	145
Total current liabilities	**3,260**	3,228
Deferred income taxes	**18,156**	17,383
Long-term debt	**1,326**	1,472
Intangible liabilities, net	**782**	961
Casualty and environmental liabilities	**639**	677
Pension and retiree health and welfare liability	**385**	362
Other liabilities	**931**	964
Total liabilities	**25,479**	25,047
Commitments and contingencies (see Notes 11 and 12)		
Stockholder's equity:		
Common stock, $1 par value, 1,000 shares authorized; issued and outstanding and paid-in-capital	**42,920**	42,920
Retained earnings	**18,043**	13,646
Intercompany notes receivable	**(9,963)**	(8,397)
Accumulated other comprehensive income (loss)	**(2)**	245
Total stockholder's equity	**50,998**	48,414
Total liabilities and stockholder's equity	**$ 76,477**	$ 73,461

See accompanying Notes to Consolidated Financial Statements.

BNSF Railway Company and Subsidiaries

Consolidated Statements of Cash Flows

In millions

	Year Ended December 31, 2014	Year Ended December 31, 2013	Year Ended December 31, 2012
Operating Activities			
Net income	**$ 4,397**	$ 4,271	$ 3,720
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	**2,117**	1,968	1,888
Deferred income taxes	**937**	553	642
Long-term casualty and environmental liabilities, net	**(43)**	(98)	(190)
Contributions to qualified pension plan	**—**	(25)	(36)
Other, net	**(261)**	(30)	(214)
Changes in current assets and liabilities:			
Accounts receivable, net	**(86)**	(119)	122
Materials and supplies	**40**	(35)	(61)
Other current assets	**(40)**	(4)	14
Accounts payable and other current liabilities	**(56)**	(276)	15
Net cash provided by operating activities	**7,005**	6,205	5,900
Investing Activities			
Capital expenditures excluding equipment	**(3,734)**	(2,975)	(2,596)
Acquisition of equipment	**(1,509)**	(943)	(952)
Partnership investment	**—**	—	(130)
Other, net	**(2)**	57	(124)
Net cash used for investing activities	**(5,245)**	(3,861)	(3,802)
Financing Activities			
Payments on long-term debt	**(141)**	(190)	(182)
Net increase in intercompany notes receivable classified as equity	**(1,566)**	(1,972)	(1,861)
Other, net	**—**	—	2
Net cash used for financing activities	**(1,707)**	(2,162)	(2,041)
Increase in cash and cash equivalents	**53**	182	57
Cash and cash equivalents:			
Beginning of period	**532**	350	293
End of period	**$ 585**	$ 532	$ 350
Supplemental Cash Flow Information			
Interest paid, net of amounts capitalized	**$ 57**	$ 76	$ 89
Capital investments accrued but not yet paid	**$ 293**	$ 224	$ 123
Income taxes paid, net of refunds	**$ 1,691**	$ 2,485	$ 1,257

See accompanying Notes to Consolidated Financial Statements.

BNSF Railway Company and Subsidiaries

Consolidated Statements of Changes in Stockholder's Equity

In millions

	Common Stock and Paid-in-Capital	Retained Earnings	Intercompany Notes Receivable	Accumulated Other Comprehensive (Loss) Income	Total Stockholder's Equity
Balance at December 31, 2011	$ 42,920	$ 5,655	$ (4,564)	$ (203)	$ 43,808
Comprehensive income, net of tax	—	3,720	—	(42)	3,678
Intercompany notes receivable	—	—	(1,861)	—	(1,861)
Balance at December 31, 2012	42,920	9,375	(6,425)	(245)	45,625
Comprehensive income, net of tax	—	4,271	—	490	4,761
Intercompany notes receivable	—	—	(1,972)	—	(1,972)
Balance at December 31, 2013	42,920	13,646	(8,397)	245	48,414
Comprehensive income, net of tax	—	4,397	—	(247)	4,150
Intercompany notes receivable	—	—	(1,566)	—	(1,566)
Balance at December 31, 2014	**$ 42,920**	**$ 18,043**	**$ (9,963)**	**$ (2)**	**$ 50,998**

See accompanying Notes to Consolidated Financial Statements.

BNSF Railway Company and Subsidiaries

Notes to Consolidated Financial Statements

1. The Company

BNSF Railway Company and its majority-owned subsidiaries, (collectively, BNSF Railway or Company) is a wholly-owned subsidiary of Burlington Northern Santa Fe, LLC (BNSF). BNSF Railway operates one of the largest railroad networks in North America with approximately 32,500 route miles (excluding multiple main tracks, yard tracks and sidings) in 28 states and also operates in three Canadian provinces. Through one operating transportation services segment, BNSF Railway transports a wide range of products and commodities including the transportation of Consumer Products, Industrial Products, Coal and Agricultural Products, derived from manufacturing, agricultural and natural resource industries, which constituted 31 percent, 28 percent, 22 percent and 19 percent, respectively, of total freight revenues for the year ended December 31, 2014.

On February 12, 2010, Berkshire Hathaway Inc., a Delaware corporation (Berkshire), acquired 100% of the outstanding shares of Burlington Northern Santa Fe Corporation common stock that it did not already own. The acquisition was completed through the merger (Merger) of a Berkshire wholly-owned merger subsidiary and Burlington Northern Santa Fe Corporation with the surviving entity renamed Burlington Northern Santa Fe, LLC. Berkshire's cost of acquiring BNSF was pushed-down to establish a new accounting basis for BNSF beginning as of February 13, 2010.

2. Significant Accounting Policies

Principles of Consolidation

The Consolidated Financial Statements include the accounts of BNSF Railway. All intercompany accounts and transactions have been eliminated. The Company evaluates its less than majority-owned investments for consolidation pursuant to authoritative accounting guidance related to the consolidation of variable interest entities (VIEs). The Company consolidates a VIE when it possesses both the power to direct the activities of the VIE that most significantly impact its economic performance and when the Company is either obligated to absorb the losses that could potentially be significant to the VIE or the Company holds the right to receive benefits from the VIE that could potentially be significant to the VIE.

Use of Estimates

The preparation of financial statements in accordance with generally accepted accounting principles in the United States of America (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the periods presented. These estimates and assumptions are periodically reviewed by management. Actual results could differ from those estimates.

Revenue Recognition

Transportation revenues are recognized based upon the proportion of service provided as of the balance sheet date, with related expenses recognized as incurred. Revenues from ancillary services are recognized when performed. Customer incentives, which are primarily provided for shipping a specified cumulative volume or shipping to/from specific locations, are recorded as a reduction to revenue on a pro-rata basis based on actual or projected future customer shipments. When using projected shipments, the Company relies on historic trends as well as economic and other indicators to estimate the liability for customer incentives.

Accounts Receivable, Net

Accounts receivable, net includes accounts receivable reduced by an allowance for bill adjustments and uncollectible accounts. The allowance for bill adjustments and uncollectible accounts is based on historical experience as well as any known trends or uncertainties related to customer billing and account collectibility. Allowances for uncollectible accounts are charged off when it is determined that the counterparty will be unable to pay based on the contractual terms of the receivables.

Cash and Cash Equivalents

All short-term investments with original maturities of 90 days or less are considered cash equivalents. Cash equivalents are stated at cost, which approximates market value because of the short maturity of these instruments.

Materials and Supplies

Materials and supplies, which consist mainly of rail, ties and other items for construction and maintenance of property and equipment, as well as diesel fuel, are valued at the lower of average cost or market.

Goodwill and Other Intangible Assets and Liabilities

Goodwill is the excess of the cost of an acquired entity over the net of the amounts assigned to assets acquired and liabilities assumed.

Goodwill is tested for impairment annually or more frequently if events or circumstances indicate that the carrying amount may not be recoverable. The impairment test involves a two-step process. The first step is to estimate the fair value of the reporting unit through discounting projected future net cash flows. If the carrying amount of a reporting unit, including goodwill, exceeds the estimated fair value, a second step is performed. Under the second step, the identifiable assets and liabilities, including identifiable intangible assets and liabilities, of the reporting unit are estimated at fair value as of the current testing date. The excess of the estimated fair value of the reporting unit over the estimated fair value of net assets establishes the implied value of goodwill. If the carrying amount of goodwill exceeds the implied value of goodwill, an impairment loss is recognized in an amount equal to that excess.

Other intangible assets and liabilities are amortized based on the estimated pattern in which the economic benefits are expected to be consumed or on a straight-line basis over their estimated economic lives. Other intangible assets and liabilities are reviewed for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable or realized.

See Note 8 to the Consolidated Financial Statements for further information related to goodwill and other intangible assets and liabilities.

Property and Equipment, Net

BNSF Railway’s railroad operations are highly capital intensive and its large base of homogeneous, network-type assets turns over on a continuous basis. Each year BNSF Railway develops a capital program for the replacement of assets and for the acquisition or construction of assets that enables BNSF Railway to enhance the efficiency of operations, gain strategic benefit or provide new service offerings to customers. Assets purchased or constructed throughout the year are capitalized if they meet applicable minimum units of property criteria.

Normal repairs and maintenance are charged to operating expense as incurred, while costs incurred that extend the useful life of an asset, improve the safety of BNSF Railway’s operations, or improve operating efficiency are capitalized.

Property and equipment are stated at cost and are depreciated and amortized on a straight-line basis over their estimated useful lives. The Company uses the group method of depreciation in which a single depreciation rate is applied to the gross investment in a particular class of property, despite differences in the service life or salvage value of individual property units within the same class. The Company conducts studies of depreciation rates and the required accumulated depreciation balance as required by the Surface Transportation Board (STB), which is generally every three years for equipment property and every six years for track structure and other roadway property. These detailed studies form the basis for the Company's depreciation methods used in accordance with GAAP. There are no differences between assumptions used in determining average service lives between STB reporting and GAAP.

Depreciation studies take into account the following factors:

- Statistical analysis of historical patterns of use and retirements of each of BNSF Railway’s asset classes;
- Evaluation of any expected changes in current operations and the outlook for continued use of the assets;
- Evaluation of technological advances and changes to maintenance practices; and
- Expected salvage to be received upon retirement.

Changes in the estimated service lives of the assets and their related depreciation rates are implemented prospectively. Currently, BNSF is not aware of any specific factors that would cause significant changes in average useful service lives.

Under group depreciation, the historical cost net of salvage of depreciable property that is retired or replaced in the ordinary course of business is charged to accumulated depreciation and no gain or loss is recognized. This historical cost of certain assets is estimated as it is impracticable to track individual, homogeneous network-type assets. Historical costs are estimated by deflating current costs using the Producer Price Index (PPI). The PPI was selected because it closely correlates with the major costs of the items comprising the asset classes. Because of the number of estimates inherent in the depreciation and retirement processes and because it is impossible to precisely estimate each of these variables until a group of property is completely retired, BNSF Railway continually monitors the estimated service lives of its assets and the accumulated depreciation associated with each asset class to ensure its depreciation rates are appropriate.

For retirements of depreciable asset classes that do not occur in the normal course of business, a gain or loss may be recognized in operating expense if the retirement meets each of the following conditions: (i) is unusual, (ii) is material in amount, and (iii) varies significantly from the retirement profile identified through BNSF Railway's depreciation studies. During the three fiscal years presented, no such gains or losses were recognized due to the retirement of depreciable assets. Gains or losses from disposals of land and non-rail property are recorded at the time of their occurrence.

When BNSF Railway purchases an asset, all costs necessary to make the asset ready for its intended use are capitalized. BNSF Railway self-constructs portions of its track structure and rebuilds certain classes of rolling stock. Expenditures that significantly increase asset values or extend useful lives are capitalized. In addition to direct labor and material, certain indirect costs such as materials, small tools and project supervision are capitalized. Annually, a study is performed for the purpose of identifying indirect costs that clearly relate to capital projects. From those studies, an overhead application rate is developed. Indirect projects costs are then allocated to capital projects using this overhead application rate.

BNSF Railway incurs certain direct labor, contract service and other costs associated with the development and installation of internal-use computer software. Costs for newly developed software or significant enhancements to existing software are typically capitalized. Research, preliminary project, operations, maintenance and training costs are charged to operating expense when the work is performed.

Assets held under capital leases are recorded at the lower of the net present value of the minimum lease payments or at the fair value of the leased asset at the inception of the lease. Amortization expense is computed using the straight-line method over the shorter of the estimated useful lives of the asset or the period of the related lease.

Leasehold improvements that meet capitalization criteria are capitalized and amortized on a straight-line basis over the lesser of their estimated useful lives or the remaining lease term.

Long-lived assets are reviewed for impairment when events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If impairment indicators are present and the estimated future undiscounted cash flows are less than the carrying value of the long-lived assets, the carrying value is reduced to the estimated fair value as measured by the discounted cash flows.

Planned Major Maintenance Activities

BNSF Railway utilizes the deferral method of accounting for leased locomotive overhauls, which includes the refurbishment of the engine and related components. Accordingly, BNSF Railway has established an asset for overhauls that have been performed. This asset, which is included in property and equipment, net in the Consolidated Balance Sheets, is amortized to expense using the straight-line method until the next overhaul is performed or the end of the lease, whichever comes first, typically between six and eight years.

Rail Grinding Costs

BNSF Railway uses the direct expense method of accounting for rail grinding costs, under which the Company expenses rail grinding costs as incurred.

Environmental Liabilities

Liabilities for environmental cleanup costs are initially recorded when BNSF Railway's liability for environmental cleanup is both probable and reasonably estimable. Subsequent adjustments to initial estimates are recorded as necessary based upon additional information developed in subsequent periods. Estimates for these liabilities are undiscounted.

Personal Injury Claims

Liabilities for personal injury claims are initially recorded when the expected loss is both probable and reasonably estimable. Subsequent adjustments to initial estimates are recorded as necessary based upon additional information developed in subsequent periods. Liabilities recorded for unasserted personal injury claims, including those related to asbestos, are based on information currently available. Estimates of liabilities for personal injury claims are undiscounted.

Income Taxes

Deferred tax assets and liabilities are measured using the tax rates that apply to taxable income in the period in which the deferred tax asset or liability is expected to be realized or paid. Changes in the Company's estimates regarding the statutory tax rate to be applied to the reversal of deferred tax assets and liabilities could materially affect the effective tax rate. Valuation allowances are established to reduce deferred tax assets if it is more likely than not that some or all of the deferred tax asset will not be realized. BNSF Railway has not recorded a valuation allowance, as it believes that the deferred tax assets will be fully realized in the future. Investment tax credits are accounted for using the flow-through method.

The Company recognizes the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by the taxing authorities, based on the technical merits of the position. The tax benefits recognized in the financial statements from such a position are measured based on the largest benefit that has a greater than fifty percent likelihood of being realized upon ultimate settlement.

Employment Benefit Plans

The Company estimates liabilities and expenses for pension and retiree health and welfare plans. Estimated amounts are based on historical information, current information and estimates regarding future events and circumstances. Significant assumptions used in the valuation of pension and/or retiree health and welfare liabilities include the expected return on plan assets, discount rate, rate of increase in compensation levels and the health care cost trend rate.

Fair Value Measurements

As defined under authoritative accounting guidance, fair value is the price that would be received to sell an asset or paid to transfer a liability between market participants in the principal market or in the most advantageous market when no principal market exists. Adjustments to transaction prices or quoted market prices may be required in illiquid or disorderly markets in order to estimate fair value. Different valuation techniques may be appropriate under the circumstances to determine the value that would be received to sell an asset or paid to transfer a liability in an orderly transaction. Market participants are assumed to be independent, knowledgeable, able and willing to transact an exchange and not under duress. Nonperformance or credit risk is considered in determining the fair value of liabilities. Considerable judgment may be required in interpreting market data used to develop the estimates of fair value. Accordingly, estimates of fair value presented herein are not necessarily indicative of the amounts that could be realized in a current or future market exchange.

The authoritative accounting guidance specifies a three-level hierarchy of valuation inputs which was established to increase consistency, clarity and comparability in fair value measurements and related disclosures.

- Level 1–Quoted prices for identical assets or liabilities in active markets that the Company has the ability to access at the measurement date.
- Level 2–Quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in markets that are not active; and model-derived valuations in which all significant inputs are observable market data.
- Level 3–Valuations derived from valuation techniques in which one or more significant inputs are unobservable.

3. Accounting Pronouncements

In January 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update No. 2014-01 (ASU 2014-01), *Investments - Equity Method and Joint Ventures (Topic 323), Accounting for Investments in Qualified Affordable Housing Projects.* This standard permits an entity to elect the proportional amortization method of accounting for limited liability investments in qualified affordable housing projects if certain criteria are met. Under the proportional amortization method, the investment is amortized in proportion to the tax benefits received and the net investment performance is reported as a component of income tax expense. ASU 2014-01 is effective for fiscal years beginning after December 15, 2014, with early adoption permitted. If elected, the proportional amortization method is required to be applied retrospectively. The Company has assessed the effects of this standard and it does not have an impact to the Consolidated Financial Statements.

In May 2014, the FASB issued Accounting Standards Update No. 2014-09 (ASU 2014-09), *Revenue from Contracts with Customers (Topic 606)*. The guidance in ASU 2014-09 supersedes the revenue recognition requirements in Accounting Standards Codification Topic 605, Revenue Recognition. ASU 2014-09 applies to most contracts with customers. Insurance and leasing contracts are excluded from the scope. ASU 2014-09 prescribes a five step framework in accounting for revenues from contracts within its scope, including (a) identification of the contract, (b) identification of the performance obligation under the contract, (c) determination of the transaction price, (d) allocation of the transaction price to the identified performance obligation and (e) recognition of revenue as the identified performance obligation is satisfied. ASU 2014-09 also prescribes additional disclosures and financial statement presentations. ASU 2014-09 is effective for public companies in annual reporting periods beginning after December 15, 2016, including interim periods within that reporting period. Early adoption is not permitted. ASU 2014-09 may be adopted retrospectively or under a modified retrospective method where the cumulative effect is recognized at the date of initial application. The Company has assessed the effects of this standard and does not expect it to have a material impact to the Consolidated Financial Statements. The Company will adopt the guidance and include appropriate disclosures related to revenue recognition in accordance with ASU 2014-09 in its interim report on Form 10-Q for the period ending March 31, 2017.

4. Derivative Activities

Fuel

Fuel costs represented 28 percent, 30 percent and 31 percent of total operating expenses during the years ended December 31, 2014, 2013 and 2012, respectively. The Company may enter into fuel hedge instruments from time to time; however, the Company had no unexpired hedge positions as of December 31, 2014, 2013 and 2012.

Derivative Activities

The Company had formally documented the relationship between the hedging instrument and the hedged item, as well as the risk management objective and strategy for the use of the hedging instrument. This documentation included linking the derivatives that were designated as fair value or cash flow hedges to specific assets or liabilities on the balance sheet, commitments or forecasted transactions. The Company assessed at the time a derivative contract was entered into, and at least quarterly thereafter, whether the derivative item was effective in offsetting the changes in fair value or cash flows. Any change in fair value resulting from ineffectiveness, as defined by authoritative accounting guidance related to derivatives and hedging, was recognized in current period earnings. For derivative instruments that were designated and qualified as cash flow hedges, the effective portion of the gain or loss on the derivative instrument was recorded in accumulated other comprehensive income / (loss) (AOCI) as a separate component of equity and reclassified into earnings in the period during which the hedge transaction affected earnings. Cash flows related to fuel derivatives were classified as operating activities in the Consolidated Statements of Cash Flows.

The effects of derivative instrument gains and losses for the years ended December 31, 2014, 2013 and 2012, were as follows (in millions):

Derivatives in ASC 815-20 Cash Flow Hedging Relationships

	Amount of Gain Recognized in OCI on Derivatives (Effective Portion)		
	Year Ended December 31, 2014	Year Ended December 31, 2013	Year Ended December 31, 2012
Fuel Contracts	$ —	$ —	$ 7
Total derivatives	$ —	$ —	$ 7

	Location of Gain Recognized from AOCI into Income	Amount of Gain Recognized from AOCI into Income (Effective Portion) Year Ended December 31, 2014	Year Ended December 31, 2013	Year Ended December 31, 2012
Fuel Contracts	Fuel expense	**$ —**	$ —	$ 25
Total derivatives		**$ —**	$ —	$ 25

	Location of Loss Recognized in Income on Derivatives	Amount of Loss Recognized in Income on Derivatives (Ineffective Portion and Amount Excluded from Effectiveness Testing)[a] Year Ended December 31, 2014	Year Ended December 31, 2013	Year Ended December 31, 2012
Fuel Contracts	Fuel expense	**$ —**	$ —	$ (3)
Total derivatives		**$ —**	$ —	$ (3)

[a] No portion of the loss was excluded from the assessment of hedge effectiveness for the periods then ended.

5. Income Taxes

Income tax expense was as follows (in millions):

	Year Ended December 31, 2014	Year Ended December 31, 2013	Year Ended December 31, 2012
Current:			
Federal	**$ 1,488**	$ 1,617	$ 1,418
State	**219**	242	174
Total current	**1,707**	1,859	1,592
Deferred:			
Federal	**834**	593	560
State	**103**	(40)	82
Total deferred	**937**	553	642
Total	**$ 2,644**	$ 2,412	$ 2,234

Reconciliation of the U.S. federal statutory income tax rate to the effective tax rate was as follows:

	Year Ended December 31, 2014	Year Ended December 31, 2013	Year Ended December 31, 2012
U.S. Federal statutory income tax rate	**35.0%**	35.0%	35.0%
State income taxes, net of federal tax benefit	**3.0**	2.0	2.8
Other, net	**(0.4)**	(0.9)	(0.3)
Effective tax rate	**37.6%**	36.1%	37.5%

The components of deferred tax assets and liabilities were as follows (in millions):

	December 31, 2014	December 31, 2013
Deferred tax liabilities:		
Property and equipment	**$ (18,644)**	$ (17,739)
Hedging	**(6)**	(6)
Pension and retiree health and welfare benefits	**—**	(13)
Other	**(377)**	(370)
Total deferred tax liabilities	**(19,027)**	(18,128)
Deferred tax assets:		
Intangible assets and liabilities	**133**	190
Casualty and environmental	**301**	266
Compensation and benefits	**334**	371
Pension and retiree health and welfare benefits	**202**	—
Long-term debt fair value adjustment under acquisition method accounting	**26**	36
Other	**230**	240
Total deferred tax assets	**1,226**	1,103
Net deferred tax liability	**$ (17,801)**	$ (17,025)
Non-current deferred income tax liability	**$ (18,156)**	$ (17,383)
Current portion of deferred income taxes	**355**	358
Net deferred tax liability	**$ (17,801)**	$ (17,025)

BNSF Railway and BNSF are included in the consolidated U.S. federal income tax return of Berkshire. In accordance with the income tax allocation agreement between BNSF and BNSF Railway, BNSF Railway makes payments to or receives refunds from BNSF based on its separate consolidated tax liabilities.

All U.S. federal income tax returns of BNSF Railway are closed through the tax period ending February 12, 2010. BNSF Railway is currently under examination for the period February 13 - December 31, 2010 and the year 2011.

BNSF Railway and its subsidiaries have various state income tax returns in the process of examination, administrative appeal or litigation. State income tax returns are generally subject to examination for a period of three to five years after filing of the respective return. The state impact of any federal changes remains subject to examination by various states for a period of up to one year after formal notification to the states.

Uncertain Tax Positions

The amount of unrecognized tax benefits for the years ended December 31, 2014, 2013 and 2012, was $78 million, $56 million and $48 million, respectively. The amount of unrecognized tax benefits at December 31, 2014 that would affect the Company’s effective tax rate if recognized was $43 million. A reconciliation of the beginning and ending amount of unrecognized tax benefits is as follows (in millions):

	Year Ended December 31, 2014	Year Ended December 31, 2013	Year Ended December 31, 2012
Beginning balance	**$ 56**	$ 48	$ 110
Additions for tax positions related to current year	**16**	16	12
Additions (reductions) for tax positions taken in prior years	**13**	1	(2)
Additions (reductions) for tax positions as a result of:			
Settlements	**(1)**	1	(53)
Lapse of statute of limitations	**(6)**	(10)	(19)
Ending balance	**$ 78**	$ 56	$ 48

It is expected that the amount of unrecognized tax benefits will change in the next twelve months; however, BNSF Railway does not expect the change to have a significant impact on the results of operations, the financial position or the cash flows of the Company.

The Company recognizes interest accrued related to unrecognized tax benefits in interest expense and penalties in income tax expense in the Consolidated Statements of Income, which is consistent with the recognition of these items in prior reporting periods. The Company had recorded a liability of approximately $8 million and $6 million for interest and penalties for the years ended December 31, 2014 and 2013, respectively. For the years ended December 31, 2014, 2013 and 2012, the Company recognized an increase of approximately $3 million, and a reduction of approximately $1 million and $8 million in interest and penalty expense, respectively.

6. Accounts Receivable, Net

Accounts receivable, net consists of freight and other receivables, reduced by an allowance for bill adjustments and uncollectible accounts, based upon expected collectibility. At December 31, 2014 and 2013, $55 million and $53 million, respectively, of such allowances had been recorded.

At December 31, 2014 and 2013, $33 million and $47 million, respectively, of accounts receivable were greater than 90 days old.

7. Property and Equipment, Net

Property and equipment, net (in millions), and the corresponding ranges of estimated useful lives were as follows:

	December 31, 2014	December 31, 2013	2014 Range of Estimated Useful Life
Land for transportation purposes	**$ 5,980**	$ 5,971	—
Track structure	**19,562**	18,207	15 – 50 years
Other roadway	**23,026**	21,891	5 – 100 years
Locomotives	**6,621**	5,241	5 – 33 years
Freight cars and other equipment	**2,350**	2,053	8 – 40 years
Computer hardware, software and other	**504**	242	5 – 9 years
Construction in progress	**1,292**	973	—
Total cost	**59,335**	54,578	
Less accumulated depreciation and amortization	**(3,547)**	(2,231)	
Property and equipment, net	**$ 55,788**	$ 52,347	

The Consolidated Balance Sheets at December 31, 2014 and 2013, included $854 million, net of $374 million of amortization, and $910 million, net of $366 million of amortization, respectively, for property and equipment under capital leases, primarily for rolling stock.

The Company capitalized $30 million, $29 million and $24 million of interest for the years ended December 31, 2014, 2013 and 2012, respectively.

8. Goodwill and Other Intangible Assets and Liabilities

During the years ended December 31, 2014, 2013 and 2012, no impairment losses related to goodwill were incurred. As of December 31, 2014 and 2013, there were no accumulated impairment losses related to goodwill. For both the years ended December 31, 2014 and 2013, the carrying values were $14,803 million and no additional goodwill was recognized.

Intangible assets and liabilities were as follows (in millions):

	As of December 31, 2014		As of December 31, 2013	
	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Intangible assets	**$ 2,017**	**$ 1,511**	$ 2,016	$ 1,205
Intangible liabilities	**$ 2,056**	**$ 1,274**	$ 2,056	$ 1,095

Intangible assets primarily consisted of internally developed software and franchise and customer assets. Intangible liabilities primarily consisted of customer and shortline contracts which were in an unfavorable position at the date of Merger.

Amortizable intangible assets and liabilities are amortized based on the estimated pattern in which the economic benefits are expected to be consumed or on a straight-line basis over their estimated economic lives.

Amortization of intangible assets and liabilities was as follows (in millions):

	December 31, 2014	December 31, 2013
Amortization of intangible assets	**$ 306**	$ 306
Amortization of intangible liabilities	**$ 179**	$ 253

Amortization of intangible assets and liabilities for the next five years is expected to approximate the following (in millions):

	Amortization of intangible assets	Amortization of intangible liabilities
2015	**$ 54**	**$ 115**
2016	**$ 31**	**$ 101**
2017	**$ 31**	**$ 96**
2018	**$ 31**	**$ 90**
2019	**$ 31**	**$ 27**

9. *Other Assets*

In July 2010, the Company entered into a low-income housing partnership (the Partnership) as the limited partner, holding a 99.9% interest in the Partnership. The Partnership is a VIE, with the purpose of developing and operating low-income housing rental properties. Recovery of the Company's investment is accomplished through the utilization of low-income housing tax credits and the tax benefits of Partnership losses. The general partner, who holds a 0.1% interest in the Partnership, is an unrelated third party and is responsible for controlling and managing the business and financial operation of the Partnership. As the Company does not have the power to direct the activities that most significantly impact the Partnership's economic performance, the Company is not the primary beneficiary and therefore, does not consolidate the Partnership. As of December 31, 2014 and 2013, the assets of the unconsolidated Partnership totaled approximately $330 million and $410 million, respectively. The Company does not provide financial support to the Partnership that it was not previously contractually obligated to provide.

The Company has accounted for its investment in the Partnership using the effective yield method. The risk of loss of the Company's investment in the Partnership is considered low as an affiliate of the general partner has provided certain guarantees of tax credits and minimum annual returns. The Company's maximum exposure to loss related to the Partnership is the unamortized investment balance. The following table summarizes information related to this Partnership (in millions):

	Year Ended December 31, 2014	Year Ended December 31, 2013
Unamortized investment balance classified as Other Assets	**$ 314**	$ 376
Remaining commitment classified as Other Liabilities	**$ 18**	$ 18
Maximum exposure to loss	**$ 314**	$ 376

The remaining commitment of $18 million is expected to be paid in 2015.

10. Accounts Payable and Other Current Liabilities

Accounts payable and other current liabilities consisted of the following (in millions):

	December 31, 2014	December 31, 2013
Compensation and benefits payable	**$ 788**	$ 820
Accounts payable	**352**	449
Property and income tax liabilities	**330**	293
Rents and leases	**158**	162
Customer incentives	**151**	151
Casualty and environmental liabilities	**140**	145
Other	**1,225**	1,063
Total	**$ 3,144**	$ 3,083

11. Debt

Debt outstanding was as follows (in millions):

	December 31, 2014 [a]		December 31, 2013 [a]	
Notes and debentures, due 2022	$ 200	8.8%	$ 200	8.8%
Equipment obligations, due 2015 to 2027	96	5.5	122	5.7
Capitalized lease obligations, due 2015 to 2029	745	6.1	854	6.0
Mortgage bonds, due 2020 to 2047	81	4.5	82	4.5
Financing obligations, due 2015 to 2028	251	6.3	266	6.3
Unamortized fair value adjustment under acquisition method accounting, discount and other, net	69		93	
Total	1,442		1,617	
Less current portion of long-term debt	(116)	5.9%	(145)	5.9%
Long-term debt	$ 1,326		$ 1,472	

[a] Amounts represent debt outstanding and weighted average effective interest rates for 2014 and 2013, respectively. Maturities are as of December 31, 2014.

As of December 31, 2014, certain BNSF Railway properties and other assets were subject to liens securing $81 million of mortgage debt. Certain locomotives and rolling stock of BNSF Railway were subject to equipment obligations and capital leases.

The fair value of BNSF Railway's long-term debt is primarily based on market value price models using observable market-based data for the same or similar issues, or on the estimated rates that would be offered to BNSF Railway for debt of the same remaining maturities (Level 2 inputs). Capital leases have been excluded from the calculation of fair value for both 2014 and 2013.

The following table provides fair value information for the Company's debt obligations including principal cash flows, related weighted average interest rates by contractual maturity dates and fair value.

	December 31, 2014								
	Maturity Date								
	2015	2016	2017	2018	2019	Thereafter	Total Including Capital Leases	Total Excluding Capital Leases [a]	Fair Value Excluding Leases
Fixed-rate debt (in millions)	$116	$201	$ 65	$ 70	$ 66	$ 924	$ 1,442	$ 651	$ 738
Average interest rate	5.9%	6.2%	6.2%	6.1%	6.1%	6.5%	6.4%		

[a] Amount also excludes unamortized fair value adjustment under acquisition method accounting related to capital leases.

As of December 31, 2013, the fair value of fixed-rate debt excluding capital leases was $752 million.

Capital Leases

During the years 2014, 2013 and 2012, additions to capital leases were not material.

Guarantees

As of December 31, 2014, BNSF Railway has not been called upon to perform under the guarantees specifically disclosed in this footnote and does not anticipate a significant performance risk in the foreseeable future.

Debt and other obligations of non-consolidated entities guaranteed by the Company as of December 31, 2014, were as follows (dollars in millions):

	Guarantees					
	BNSF Railway Ownership Percentage	Principal Amount Guaranteed	Maximum Future Payments	Maximum Recourse Amount [a]	Remaining Term (in years)	Capitalized Obligations
Kinder Morgan Energy Partners, L.P.	0.5%	$ 190	$ 190	$ —	Termination of Ownership	$ 2 [b]
Chevron Phillips Chemical Company LP	—%	N/A [d]	N/A [d]	N/A [d]	3	$ 4 [c]

[a] Reflects the maximum amount the Company could recover from a third party other than the counterparty.
[b] Reflects capitalized obligations that are recorded on the Company's Consolidated Balance Sheet.
[c] Reflects the asset and corresponding liability for the fair value of these guarantees required by authoritative accounting guidance related to guarantees.
[d] There is no cap to the liability that can be sought from BNSF Railway for BNSF Railway's negligence or the negligence of the indemnified party. However, BNSF Railway could receive reimbursement from certain insurance policies if the liability exceeds a certain amount.

Kinder Morgan Energy Partners, L.P.
Santa Fe Pacific Pipelines, Inc., an indirect, wholly-owned subsidiary of BNSF Railway, has a guarantee in connection with its remaining special limited partnership interest in Santa Fe Pacific Pipeline Partners, L.P. (SFPP), a subsidiary of Kinder Morgan Energy Partners, L.P., to be paid only upon default by the partnership. All obligations with respect to the guarantee will cease upon termination of ownership rights, which would occur upon a put notice issued by BNSF Railway or the exercise of the call rights by the general partners of SFPP.

Chevron Phillips Chemical Company LP
In 2007, BNSF Railway entered into an indemnity agreement with Chevron Phillips Chemical Company LP (Chevron Phillips), granting certain rights of indemnity from BNSF Railway, in order to facilitate access to a new storage facility. Under certain circumstances, payment under this obligation may be required in the event Chevron Phillips were to incur certain liabilities or other incremental costs resulting from trackage access.

Indemnities
In the ordinary course of business, BNSF Railway enters into agreements with third parties that include indemnification clauses. The Company believes that these clauses are generally customary for the types of agreements in which they are included. At times, these clauses may involve indemnification for the acts of the Company, its employees and agents, indemnification for another party's acts, indemnification for future events, indemnification based upon a certain standard of performance, indemnification for liabilities arising out of the Company's use of leased equipment or other property, or other types of indemnification. Despite the uncertainty whether events which would trigger the indemnification obligations would ever occur, the Company does not believe that these indemnity agreements will have a material adverse effect on the Company's results of operations, financial position or liquidity. Additionally, the Company believes that, due to lack of historical payment experience, the fair value of indemnities cannot be estimated with any amount of certainty. However, the fair value of any such amount would be immaterial to the Consolidated Financial Statements. Agreements that reflect unique circumstances, particularly agreements that contain guarantees that indemnify for another party's acts are disclosed separately if appropriate. Unless separately disclosed above, no fair value liability related to indemnities has been recorded in the Consolidated Financial Statements.

Variable Interest Entities - Leases

BNSF Railway has entered into various equipment lease transactions in which the structure of the lease contains VIEs. These VIEs were created solely for the lease transactions and have no other activities, assets or liabilities outside of the lease transactions. In some of the arrangements, BNSF Railway has the option to purchase some or all of the equipment at a fixed-price, thereby creating variable interests for BNSF Railway in the VIEs. The future minimum lease payments associated with the VIE leases were approximately $3 billion as of December 31, 2014. The future minimum lease payments are included in future operating lease payments disclosed in Note 12.

In the event the leased equipment is destroyed, BNSF Railway is obligated to either replace the equipment or pay a fixed loss amount. The inclusion of the fixed loss amount is a standard clause within equipment lease arrangements. Historically, BNSF Railway has not incurred significant losses related to this clause. As such, it is not anticipated that the maximum exposure to loss would materially differ from the future minimum lease payments.

BNSF Railway does not provide financial support to the VIEs that it was not previously contractually obligated to provide.

BNSF Railway maintains and operates the equipment based on contractual obligations within the lease arrangements, which set specific guidelines consistent within the industry. As such, BNSF Railway has no control over activities that could materially impact the fair value of the leased equipment. BNSF Railway does not hold the power to direct the activities of the VIEs and therefore does not control the ongoing activities that have a significant impact on the economic performance of the VIEs. Additionally, BNSF Railway does not have the obligation to absorb losses of the VIEs or the right to receive benefits of the VIEs that could potentially be significant to the VIEs. Depending on market conditions, the fixed-price purchase options could potentially provide benefit to the Company; however, any benefits potentially received from a fixed-price purchase option are expected to be minimal. Based on these factors, BNSF Railway is not the primary beneficiary of the VIEs. As BNSF Railway is not the primary beneficiary and the VIE leases are classified as operating leases, there are no assets or liabilities related to the VIEs recorded in the Company's Consolidated Balance Sheet.

12. Commitments and Contingencies

Lease Commitments

BNSF Railway has substantial lease commitments for locomotives, freight cars, trailers and containers, office buildings, operating facilities and other property, and many of these leases provide the option to purchase the leased item at fair market value at the end of the lease. However, some provide fixed price purchase options. Future minimum lease payments as of December 31, 2014, are summarized as follows (in millions):

December 31,	Capital Leases	Operating Leases [a]
2015	$ 116	$ 560
2016	194	560
2017	76	506
2018	73	448
2019	71	420
Thereafter	430	1,881
Total	960	$ 4,375
Less amount representing interest	(215)	
Present value of minimum lease payments	$ 745	

[a] Excludes leases having non-cancelable lease terms of less than one year and per diem leases.

Lease rental expense for all operating leases, excluding per diem leases, was $626 million, $591 million and $627 million for the years ended December 31, 2014, 2013 and 2012, respectively. When rental payments are not made on a straight-line basis, the Company recognizes rental expense on a straight-line basis over the lease term. Contingent rentals and sublease rentals were not significant.

Other Commitments

In the normal course of business, the Company enters into long-term contractual requirements for future goods and services needed for the operations of the business. Such commitments are not in excess of expected requirements and are not reasonably likely to result in performance penalties or payments that would have a material adverse effect on the Company's liquidity.

Personal Injury and Environmental Costs

Personal Injury

Personal injury claims, including asbestos claims and employee work-related injuries and third-party injuries (collectively, other personal injury), are a significant expense for the railroad industry. Personal injury claims by BNSF Railway employees are subject to the provisions of the Federal Employers' Liability Act (FELA) rather than state workers' compensation laws. FELA's system of requiring the finding of fault, coupled with unscheduled awards and reliance on the jury system, contributed to increased expenses in past years. Other proceedings include claims by non-employees for punitive as well as compensatory damages. A few proceedings purport to be class actions. The variability present in settling these claims, including non-employee personal injury and matters in which punitive damages are alleged, could result in increased expenses in future years. BNSF Railway has implemented a number of safety programs designed to reduce the number of personal injuries as well as the associated claims and personal injury expense.

BNSF Railway records an undiscounted liability for personal injury claims when the expected loss is both probable and reasonably estimable. The liability and ultimate expense projections are estimated using standard actuarial methodologies. Liabilities recorded for unasserted personal injury claims are based on information currently available. Due to the inherent uncertainty involved in projecting future events such as the number of claims filed each year, developments in judicial and legislative standards and the average costs to settle projected claims, actual costs may differ from amounts recorded. BNSF Railway has obtained insurance coverage for certain claims, as discussed under the heading "BNSF Insurance Company." Expense accruals and any required adjustments are classified as materials and other in the Consolidated Statements of Income.

Asbestos

The Company is party to a number of personal injury claims by employees and non-employees who may have been exposed to asbestos. The heaviest exposure for certain BNSF Railway employees was due to work conducted in and around the use of steam locomotive engines that were phased out between the years of 1950 and 1967. However, other types of exposures, including exposure from locomotive component parts and building materials, continued after 1967 until they were substantially eliminated at BNSF Railway by 1985.

BNSF Railway assesses its unasserted asbestos liability exposure on an annual basis during the third quarter. BNSF Railway determines its asbestos liability by estimating its exposed population, the number of claims likely to be filed, the number of claims that will likely require payment and the estimated cost per claim. Estimated filing and dismissal rates and average cost per claim are determined utilizing recent claim data and trends.

Key elements of the assessment include:

- Because BNSF Railway did not have detailed employment records in order to compute the population of potentially exposed employees, it computed an estimate using Company employee data from 1970 forward and estimated the BNSF Railway employee base from 1938-1969 using railroad industry historical census data and estimating BNSF Railway's representation in the total railroad population.

- The projected incidence of disease was estimated based on epidemiological studies using employees' age, duration and intensity of exposure while employed.

- An estimate of the future anticipated claims filing rate by type of disease (non-malignant, cancer and mesothelioma) was computed using the Company's average historical claim filing rates observed in 2011-2014.

- An estimate of the future anticipated dismissal rate by type of claim was computed using the Company's historical average dismissal rates observed in 2010-2014.

- An estimate of the future anticipated settlement by type of disease was computed using the Company's historical average of dollars paid per claim for pending and future claims using the average settlement by type of incidence observed during 2010-2014.

From these assumptions, BNSF Railway projected the incidence of each type of disease to the estimated population to arrive at an estimate of the total number of employees that could potentially assert a claim. Historical claim filing rates were applied for each type of disease to the total number of employees that could potentially assert a claim to determine the total number of anticipated claim filings by disease type. Historical dismissal rates, which represent claims that are closed without payment, were then applied to calculate the number of future claims by disease type that would likely require payment by the Company. Finally, the number of such claims was multiplied by the average settlement value to estimate BNSF Railway's future liability for unasserted asbestos claims.

The most sensitive assumptions for this accrual are the estimated future filing rates and estimated average claim values. Asbestos claim filings are typically sporadic and may include large batches of claims solicited by law firms. To reflect these factors, BNSF Railway used a multi-year calibration period (i.e., average historical filing rates observed in 2011-2014) because it believed it would be most representative of its future claim experience. In addition, for non-malignant claims, the number of future claims to be filed against BNSF Railway declines at a rate consistent with both mortality and age as there is a decreasing propensity to file a claim as the population ages. BNSF Railway believes the average claim values by type of disease from the historical period 2010-2014 are most representative of future claim values. Non-malignant claims, which represent approximately 90 percent of the total number and 60 percent of the cost of estimated future asbestos claims, were priced by age of the projected claimants. Historically, the ultimate settlement value of these types of claims is most sensitive to the age of the claimant.

During the third quarters of 2014, 2013 and 2012, the Company analyzed recent filing and payment trends to ensure the assumptions used by BNSF Railway to estimate its future asbestos liability were reasonable. In 2014, management recorded a decrease in expense of $2 million. In 2013, management determined that the liability remained appropriate and no change was recorded. In 2012, management recorded a decrease in expense of $15 million due primarily to favorable settlements. The Company plans to update its study again in the third quarter of 2015.

Throughout the year, BNSF Railway monitors actual experience against the number of forecasted claims and expected claim payments and will record adjustments to the Company's estimates as necessary.

Based on BNSF Railway's estimate of the potentially exposed employees and related mortality assumptions, it is anticipated that unasserted asbestos claims will continue to be filed through the year 2050. The Company recorded an amount for the full estimated filing period through 2050 because it had a relatively finite exposed population (former and current employees hired prior to 1985), which it was able to identify and reasonably estimate and about which it had obtained reliable demographic data (including age, hire date and occupation) derived from industry or BNSF Railway specific data that was the basis for the study. BNSF Railway projects that approximately 60, 80 and 95 percent of the future unasserted asbestos claims will be filed within the next 10, 15 and 25 years, respectively.

Other Personal Injury

BNSF Railway estimates its other personal injury liability claims and expense quarterly based on the covered population, activity levels and trends in frequency and the costs of covered injuries. Estimates include unasserted claims except for certain repetitive stress and other occupational trauma claims that allegedly result from prolonged repeated events or exposure. Such claims are estimated on an as-reported basis because the Company cannot estimate the range of reasonably possible loss due to other non-work related contributing causes of such injuries and the fact that continued exposure is required for the potential injury to manifest itself as a claim. BNSF Railway has not experienced any significant adverse trends related to these types of claims in recent years.

Key elements of the actuarial assessment include:

- Size and demographics (employee age and craft) of the workforce.
- Activity levels (manhours by employee craft and carloadings).
- Expected claim frequency rates by type of claim (employee FELA or third-party liability) based on historical claim frequency trends.
- Expected dismissal rates by type of claim based on historical dismissal rates.
- Expected average paid amounts by type of claim for open and incurred but not reported claims that eventually close with payment.

From these assumptions, BNSF Railway estimates the number of open claims by accident year that will likely require payment by the Company. The projected number of open claims by accident year that will require payment is multiplied by the expected average cost per claim by accident year and type to determine BNSF Railway's estimated liability for all asserted claims. Additionally, BNSF Railway estimates the number of its incurred but not reported claims that will likely result in payment based upon historical emergence patterns by type of claim. The estimated number of projected claims by accident year requiring payment is multiplied by the expected average cost per claim by accident year and type to determine BNSF Railway's estimated liability for incurred but not reported claims.

BNSF Railway monitors quarterly actual experience against the number of forecasted claims to be received, the forecasted number of claims closing with payment and expected claim payments. Adjustments to the Company's estimates are recorded quarterly as necessary or more frequently as new events or revised estimates develop.

The following table summarizes the activity in the Company's accrued obligations for asbestos and other personal injury matters (in millions):

	Year Ended December 31, 2014	Year Ended December 31, 2013	Year Ended December 31, 2012
Beginning balance	**$ 387**	$ 462	$ 540
Accruals	**61**	21	58
Payments	**(73)**	(96)	(136)
Ending balance	**$ 375**	$ 387	$ 462

At December 31, 2014 and 2013, $80 million and $85 million were included in current liabilities, respectively. In addition, defense and processing costs, which are recorded on an as-reported basis, were not included in the recorded liability. A significant amount of the Company's personal injury claims are self-insured.

Because of the uncertainty surrounding the ultimate outcome of personal injury claims, it is reasonably possible that future costs to settle personal injury claims may range from approximately $330 million to $440 million. However, BNSF Railway believes that the $375 million recorded at December 31, 2014, is the best estimate of the Company's future obligation for the settlement of personal injury claims.

The amounts recorded by BNSF Railway for personal injury liabilities were based upon currently known facts. Future events, such as the number of new claims to be filed each year, the average cost of disposing of claims, as well as the numerous uncertainties surrounding personal injury litigation in the United States, could cause the actual costs to be higher or lower than projected.

Although the final outcome of personal injury matters cannot be predicted with certainty, considering among other things the meritorious legal defenses available and liabilities that have been recorded, it is the opinion of BNSF Railway that none of these items, when finally resolved, will have a material adverse effect on the Company's financial position or liquidity. However, the occurrence of a number of these items in the same period could have a material adverse effect on the results of operations in a particular quarter or fiscal year.

BNSF Insurance Company

Burlington Northern Santa Fe Insurance Company, Ltd. (BNSF IC), a wholly-owned subsidiary of BNSF, provides insurance coverage for certain risks, FELA claims, railroad protective and force account insurance claims and certain excess general liability and property coverage, and certain other claims which are subject to reinsurance. During the years ended December 31, 2014, 2013 and 2012, BNSF IC wrote insurance coverage with premiums totaling $79 million, $96 million and $114 million, respectively, for BNSF Railway, net of reimbursements from third parties. During this same time, BNSF Railway recognized $79 million, $98 million and $112 million, respectively, in expense related to those premiums, which is classified as purchased services in the Consolidated Statements of Income. At December 31, 2014, unamortized premiums remaining on the Consolidated Balance Sheet were $7 million. During the years ended December 31, 2014, 2013 and 2012, BNSF IC made claim payments totaling $98 million, $127 million and $116 million, respectively, for settlement of covered claims. At December 31, 2014 and 2013, claims receivables from BNSF IC were $10 million and $35 million, respectively.

Environmental

The Company's operations, as well as those of its competitors, are subject to extensive federal, state and local environmental regulation. BNSF Railway's operating procedures include practices to protect the environment from the risks inherent in railroad operations, which frequently involve transporting chemicals and other hazardous materials. Additionally, many of BNSF Railway's land holdings are and have been used for industrial or transportation-related purposes or leased to commercial or industrial companies whose activities may have resulted in discharges onto the property. As a result, BNSF Railway is subject to environmental cleanup and enforcement actions. In particular, the federal Comprehensive Environmental Response, Compensation and Liability Act of 1980 (CERCLA), also known as the Superfund law, as well as similar state laws, generally impose joint and several liability for cleanup and enforcement costs on current and former owners and operators of a site without regard to fault or the legality of the original conduct. BNSF Railway has been notified that it is a potentially responsible party (PRP) for study and cleanup costs at Superfund sites for which investigation and remediation payments are or will be made or are yet to be determined (the Superfund sites) and, in many instances, is one of several PRPs. In addition, BNSF Railway may be considered a PRP under certain other laws. Accordingly, under CERCLA and other federal and state statutes, BNSF Railway may be held jointly and severally liable for all environmental costs associated with a particular site. If there are other PRPs, BNSF Railway generally participates in the cleanup of these sites through cost-sharing agreements with terms that vary from site to site. Costs are typically allocated based on such factors as relative volumetric contribution of material, the amount of time the site was owned or operated and/or the portion of the total site owned or operated by each PRP.

BNSF Railway is involved in a number of administrative and judicial proceedings and other mandatory cleanup efforts for 230 sites, including 16 Superfund sites, at which it is participating in the study or cleanup, or both, of alleged environmental contamination.

Liabilities for environmental cleanup costs are recorded when BNSF Railway's liability for environmental cleanup is probable and reasonably estimable. Subsequent adjustments to initial estimates are recorded as necessary based upon additional information developed in subsequent periods. Environmental costs include initial site surveys and environmental studies as well as costs for remediation of sites determined to be contaminated.

BNSF Railway estimates the ultimate cost of cleanup efforts at its known environmental sites on an annual basis during the third quarter. Ultimate cost estimates for environmental sites are based on current estimated percentage to closure ratios, possible remediation workplans and estimates of the costs and likelihood of each possible outcome, historical payment patterns, and benchmark patterns developed from data accumulated from industry and public sources, including the Environmental Protection Agency and other governmental agencies. These factors incorporate into the estimates experience gained from cleanup efforts at other similar sites. The most significant assumptions are the possible remediation workplans and estimates of the costs and likelihood of each possible outcome for the larger sites.

Annual studies do not include (i) contaminated sites of which the Company is not aware; (ii) additional amounts for third-party tort claims, which arise out of contaminants allegedly migrating from BNSF Railway property, due to a limited number of sites; or (iii) natural resource damage claims. BNSF Railway continues to estimate third-party tort claims on a site by site basis when the liability for such claims is probable and reasonably estimable. BNSF Railway's recorded liability for third-party tort claims as of December 31, 2014 and 2013 was $15 million and $13 million, respectively.

On a quarterly basis, BNSF Railway monitors actual experience against the forecasted remediation and related payments made on existing sites and conducts ongoing environmental contingency analyses, which consider a combination of factors including independent consulting reports, site visits, legal reviews and analysis of the likelihood of other PRP's participation in, and their ability to pay for cleanup. Adjustments to the Company's estimates will continue to be recorded as necessary based on developments in subsequent periods. Additionally, environmental accruals, which are classified as materials and other in the Consolidated Statements of Income, include amounts for newly identified sites or contaminants, third-party claims and legal fees incurred for defense of third-party claims and recovery efforts.

The following table summarizes the activity in the Company's accrued obligations for environmental matters (in millions):

	Year Ended December 31, 2014	Year Ended December 31, 2013	Year Ended December 31, 2012
Beginning balance	**$ 435**	$ 458	$ 570
Accruals	**13**	19	(17)
Payments	**(44)**	(42)	(95)
Ending balance	**$ 404**	$ 435	$ 458

At December 31, 2014 and 2013, $60 million was included in current liabilities.

During the third quarters of 2014, 2013 and 2012, the Company analyzed recent data and trends to ensure the assumptions used by BNSF Railway to estimate its future environmental liability were reasonable. As a result of this study, in the third quarters of 2014, 2013 and 2012, management recorded additional expense of $5 million, $12 million and $3 million as of the respective June 30 measurement dates. The Company plans to update its study again in the third quarter of 2015.

In 2012, settlements with various parties resulted in reductions in expense of approximately $30 million.

BNSF Railway's environmental liabilities are not discounted. BNSF Railway anticipates that the majority of the accrued costs at December 31, 2014, will be paid over the next ten years, and no individual site is considered to be material.

Liabilities recorded for environmental costs represent BNSF Railway's best estimate of its probable future obligation for the remediation and settlement of these sites and include both asserted and unasserted claims. Although recorded liabilities include BNSF Railway's best estimate of all probable costs, without reduction for anticipated recoveries from third parties, BNSF Railway's total cleanup costs at these sites cannot be predicted with certainty due to various factors such as the extent of corrective actions that may be required, evolving environmental laws and regulations, advances in environmental technology, the extent of other parties' participation in cleanup efforts, developments in ongoing environmental analyses related to sites determined to be contaminated and developments in environmental surveys and studies of contaminated sites.

Because of the uncertainty surrounding these factors, it is reasonably possible that future costs for environmental liabilities may range from approximately $305 million to $540 million. However, BNSF Railway believes that the $404 million recorded at December 31, 2014, is the best estimate of the Company's future obligation for environmental costs.

Although the final outcome of these environmental matters cannot be predicted with certainty, it is the opinion of BNSF Railway that none of these items, when finally resolved, will have a material adverse effect on the Company's financial position or liquidity. However, the occurrence of a number of these items in the same period could have a material adverse effect on the results of operations in a particular quarter or fiscal year.

Other Claims and Litigation

In addition to asbestos, other personal injury and environmental matters discussed above, BNSF Railway and its subsidiaries are also parties to a number of other legal actions and claims, governmental proceedings and private civil suits arising in the ordinary course of business, including those related to disputes and complaints involving certain transportation rates and charges. Some of the legal proceedings include claims for punitive as well as compensatory damages, and a few proceedings purport to be class actions. Although the final outcome of these matters cannot be predicted with certainty, considering among other things the meritorious legal defenses available and liabilities that have been recorded along with applicable insurance, BNSF Railway currently believes that none of these items, when finally resolved, will have a material adverse effect on the Company's financial position or liquidity. However, an unexpected adverse resolution of one or more of these items could have a material adverse effect on the results of operations in a particular quarter or fiscal year.

13. Employment Benefit Plans

BNSF provides a funded, noncontributory qualified pension plan, the BNSF Retirement Plan, which covers most non-union employees, and an unfunded non-tax-qualified pension plan, the BNSF Supplemental Retirement Plan, which covers certain officers and other employees. The benefits under these pension plans are based on years of credited service and the highest consecutive sixty months of compensation for the last ten years of salaried employment with the Company. BNSF Railway provides two funded, noncontributory qualified pension plans which cover certain union employees of the former The Atchison, Topeka and Santa Fe Railway Company. The benefits under these pension plans are based on elections made at the time the plans were implemented. BNSF's funding policy is to contribute annually not less than the regulatory minimum and not more than the maximum amount deductible for income tax purposes with respect to the funded plans.

Certain salaried employees of BNSF Railway who have met age and years of service requirements are eligible for medical benefits, including prescription drug coverage, during retirement. The postretirement medical and prescription drug benefit is contributory and provides benefits to retirees, and their covered dependents. Retiree contributions are adjusted annually. The plan also contains fixed deductibles, coinsurance and out-of-pocket limitations. In addition, a basic life insurance plan is noncontributory and covers retirees only. Optional life insurance coverage is available for some retirees; however, the retiree is responsible for the full cost. BNSF's policy is to fund the life insurance premiums and medical benefits as they come due. Generally, employees beginning salaried employment with BNSF Railway subsequent to September 22, 1995, are not eligible for medical benefits during retirement. These benefits are collectively referred to as retiree health and welfare benefits.

Components of the net (benefit) cost for certain employee benefit plans were as follows (in millions):

	Pension Benefits		
	Year Ended December 31, 2014	**Year Ended December 31, 2013**	**Year Ended December 31, 2012**
Service cost	**$ 38**	$ 47	$ 39
Interest cost	**95**	89	100
Expected return on plan assets	**(134)**	(124)	(118)
Amortization of prior service credits	**(1)**	—	—
Amortization of net loss	**1**	17	10
Settlements	**(1)**	(1)	—
Net (benefit) cost recognized	**$ (2)**	$ 28	$ 31

	Retiree Health and Welfare Benefits		
	Year Ended December 31, 2014	**Year Ended December 31, 2013**	**Year Ended December 31, 2012**
Service cost	**$ 1**	$ 1	$ 1
Interest cost	**11**	12	13
Amortization of prior service credits	**(2)**	(1)	—
Amortization of net loss	**1**	5	1
Net cost recognized	**$ 11**	$ 17	$ 15

The projected benefit obligation is the present value of benefits earned to date by plan participants, including the effect of assumed future salary increases and expected healthcare cost trend rate increases. The following table shows the change in projected benefit obligation (in millions):

	Pension Benefits	
Change in Benefit Obligation	**December 31, 2014**	**December 31, 2013**
Projected benefit obligation at beginning of period	**$ 2,220**	$ 2,517
Service cost	**38**	47
Interest cost	**95**	89
Actuarial loss (gain)	**256**	(234)
Plan amendment	**—**	(7)
Benefits paid	**(141)**	(176)
Administrative expenses	**(1)**	(1)
Settlements	**(15)**	(15)
Projected benefit obligation at end of period	**2,452**	2,220
Component representing future salary increases	**(146)**	(106)
Accumulated benefit obligation at end of period	**$ 2,306**	$ 2,114

Change in Benefit Obligation	Retiree Health and Welfare Benefits December 31, 2014	Retiree Health and Welfare Benefits December 31, 2013
Projected benefit obligation at beginning of period	**$ 272**	$ 314
Service cost	**1**	1
Interest cost	**11**	12
Plan participants' contributions	**6**	3
Actuarial loss (gain)	**13**	(29)
Prior service credits	**—**	(7)
Benefits paid	**(23)**	(22)
Projected benefit obligation at end of period	**$ 280**	$ 272

BNSF's pension plans had plan assets in excess of accumulated benefit obligation and projected benefit obligations in excess of plan assets at December 31, 2014 and plan assets in excess of accumulated and projected benefit obligations at December 31, 2013.

The following tables show the change in plan assets of the plans (in millions):

Change in Plan Assets	Pension Benefits December 31, 2014	Pension Benefits December 31, 2013
Fair value of plan assets at beginning of period	**$ 2,490**	$ 2,014
Actual return on plan assets	**(3)**	625
Employer contributions[a]	**12**	43
Benefits paid	**(141)**	(176)
Administrative expenses	**(1)**	(1)
Settlements	**(15)**	(15)
Fair value of plan assets at measurement date	**$ 2,342**	$ 2,490

[a] Other than contributions to the BNSF Retirement Plan, employer contributions were classified as Other, Net under Operating Activities in the Company's Consolidated Statements of Cash Flows.

Change in Plan Assets	Retiree Health and Welfare Benefits December 31, 2014	Retiree Health and Welfare Benefits December 31, 2013
Fair value of plan assets at beginning of period	**$ —**	$ —
Employer contributions[a]	**17**	19
Plan participants' contributions	**6**	3
Benefits paid	**(23)**	(22)
Fair value of plan assets at measurement date	**$ —**	$ —

[a] Employer contributions were classified as Other, Net under Operating Activities in the Company's Consolidated Statements of Cash Flows.

The following table shows the funded status, defined as plan assets less the projected benefit obligation (in millions):

	Pension Benefits		Retiree Health and Welfare Benefits	
	December 31, 2014	December 31, 2013	December 31, 2014	December 31, 2013
Funded status (plan assets less projected benefit obligations)	**$ (110)**	$ 270	**$ (280)**	$ (272)

Of the combined pension and retiree health and welfare benefits liability of $390 million and $2 million recognized as of December 31, 2014 and 2013, respectively, $30 million was included in other current liabilities as of both December 31, 2014 and 2013, and $26 million and $390 million were included in other assets at December 31, 2014 and 2013, respectively.

Actuarial gains and losses and prior service credits are recognized in the Consolidated Balance Sheets through an adjustment to accumulated other comprehensive income / (loss) (AOCI). The following table shows the pre-tax change in AOCI attributable to the components of the net cost and the change in benefit obligation (in millions):

	Pension Benefits		
Change in AOCI	**Year Ended December 31, 2014**	**Year Ended December 31, 2013**	**Year Ended December 31, 2012**
Beginning balance	**$ 427**	$ (330)	$ (311)
Amortization of net loss	**1**	17	10
Amortization of prior service credits	**(1)**	—	—
Plan amendment	**—**	7	—
Actuarial (loss) gain	**(392)**	734	(29)
Settlements	**(1)**	(1)	—
Ending balance	**$ 34**	$ 427	$ (330)

	Retiree Health and Welfare Benefits		
Change in AOCI	**Year Ended December 31, 2014**	**Year Ended December 31, 2013**	**Year Ended December 31, 2012**
Beginning balance	**$ (20)**	$ (60)	$ (35)
Amortization of net loss	**1**	5	1
Amortization of prior service credits	**(2)**	(1)	—
Plan amendment	**—**	—	5
Prior service credits	**—**	7	—
Actuarial (loss) gain	**(13)**	29	(31)
Ending balance	**$ (34)**	$ (20)	$ (60)

Approximately $1 million, net of tax, of the actuarial losses and less than $1 million, net of tax, of the prior service credits from defined benefit pension plans in AOCI are required to be amortized into net periodic benefit cost over the next fiscal year. Approximately $1 million, net of tax, of the actuarial losses and prior service credits, from retiree health and welfare benefit plans in AOCI are required to be amortized into net periodic benefit cost over the next fiscal year. Pre-tax amounts currently recognized in AOCI consist of the following (in millions):

	Pension Benefits		Retiree Health and Welfare Benefits	
	2014	**2013**	**2014**	**2013**
Net gain (loss)	**$ 29**	$ 420	**$ (43)**	$ (31)
Plan amendment	**6**	7	**5**	5
Prior service costs	**—**	—	**4**	6
Settlements	**(1)**	—	**—**	—
Pre-tax amount recognized in AOCI at December 31,	**$ 34**	$ 427	**$ (34)**	$ (20)
After-tax amount recognized in AOCI at December 31,	**$ 21**	$ 263	**$ (21)**	$ (12)

The assumptions used in accounting for the BNSF plans were as follows:

	Pension Benefits		
Assumptions Used to Determine Net Cost	**Year Ended December 31, 2014**	**Year Ended December 31, 2013**	**Year Ended December 31, 2012**
Discount rate	**4.50%**	3.75%	4.50%
Expected long-term rate of return on plan assets	**6.75%**	6.75%	6.75%
Rate of compensation increase	**3.80%**	3.80%	3.80%

	Retiree Health and Welfare Benefits		
Assumptions Used to Determine Net Cost	**Year Ended December 31, 2014**	**Year Ended December 31, 2013**	**Year Ended December 31, 2012**
Discount rate	**4.50%**	3.75%	4.50%
Rate of compensation increase	**3.80%**	3.80%	3.80%

	Pension Benefits		Retiree Health and Welfare Benefits	
Assumptions Used to Determine Benefit Obligations	**December 31, 2014**	**December 31, 2013**	**December 31, 2014**	**December 31, 2013**
Discount rate	**3.79%**	4.50%	**3.69%**	4.50%
Rate of compensation increase	**3.80%**	3.80%	**3.80%**	3.80%

BNSF determined the discount rate based on a yield curve that utilizes year-end market yields of high-quality corporate bonds whose maturities match expected payments. The discount rate used for the 2015 calculation of net benefit cost decreased to 3.79 percent for pension and 3.69 percent for retiree health and welfare benefits, which reflects market conditions at the December 31, 2014, measurement date.

In October 2014, the Society of Actuaries (SOA) released the final report of the RP-2014 mortality tables, which BNSF utilized in the calculation of its December 31, 2014 liabilities. At December 31, 2013, BNSF's liabilities were calculated utilizing the RP-2000 mortality tables. The adoption of new mortality tables increased BNSF's pension and retiree health and welfare benefits liabilities by $65 million and $5 million, respectively.

Pension plan assets are generally invested with the long-term objective of earning sufficient amounts to cover expected benefit obligations, while assuming a prudent level of risk. Allocations may change as a result of changing market conditions and investment opportunities. The expected rates of return on plan assets reflect subjective assessments of expected invested asset returns over a period of several years. Generally, past investment returns are not given significant consideration when establishing assumptions for expected long-term rates of returns on plan assets. Actual experience will differ from the assumed rates. The expected rate of return on plan assets was 6.75 percent for 2014 and will be 6.60 percent for 2015.

The following table is an estimate of the impact on future net benefit cost that could result from hypothetical changes to the most sensitive assumptions, the discount rate and rate of return on plan assets:

Sensitivity Analysis				
	Change in Net Benefit Cost			
Hypothetical Discount Rate Change		**Pension**		**Retiree Health and Welfare**
50 basis point decrease	$	3 million increase	$	1 million increase
50 basis point increase	$	1 million decrease	$	1 million decrease
Hypothetical Rate of Return on Plan Assets Change		**Pension**		
50 basis point decrease	$	10 million increase		
50 basis point increase	$	10 million decrease		

The following table presents assumed health care cost trend rates:

	Year Ended December 31, 2014	Year Ended December 31, 2013	Year Ended December 31, 2012
Assumed health care cost trend rate for next year (participants over 65)[a]	**3.00%**	3.00%	3.00%
Assumed health care cost trend rate for next year (participants under 65)	**7.90%**	8.20%	8.40%
Rate to which health care cost trend rate for participants under 65 is expected to decline and remain	**4.50%**	4.50%	4.50%
Year that the rate reaches the ultimate trend rate	**2028**	2028	2028

[a] Effective January 1, 2013, Medicare-eligible retirees who are enrolled in the retiree medical program received a contribution to a Health Reimbursement Account, which can be used to reimburse plan participants for health insurance premiums and to pay eligible out-of-pocket expenses.

Assumed health care cost trend rates have a significant effect on the amounts reported for the health care plans. A one percentage point change in assumed health care cost trend rates would have the following effects (in millions):

	One Percentage-Point Increase	One Percentage-Point Decrease
Effect on total service and interest cost	$ 1	$ (1)
Effect on postretirement benefit obligation	$ 21	$ (18)

Investments are stated at fair value. The various types of investments are valued as follows:

(i) Equity securities are valued at the last trade price at primary exchange close time on the last business day of the year (Level 1 input). If the last trade price is not available, values are based on bid, ask/offer quotes from contracted pricing vendors, brokers, or investment managers (Level 3 input or Level 2 if corroborated).

(ii) Corporate debt securities, government debt securities, and collateralized obligations and mortgage backed securities are valued based on institutional bid evaluations from contracted vendors. Where available, vendors use observable market-based data to evaluate prices (Level 2 input). This also applies to U.S. Treasury securities included in cash and cash equivalents. If observable market-based data is not available, unobservable inputs such as extrapolated data, proprietary models, and indicative quotes are used to arrive at estimated prices representing the price a dealer would pay for the security (Level 3 input).

(iii) Registered investment companies and common/collective trusts are valued at the daily net asset value of shares held at year end. Net asset value is considered a Level 1 input if net asset value is computed daily and redemptions at this value are available to all shareholders without restriction. Net asset value is considered a Level 2 input if the fund may restrict share redemptions under limited circumstances or if net asset value is not computed daily. Net asset value is considered a Level 3 input if shares could not be redeemed on the reporting date and net asset value can not be corroborated by trading activity.

The following table summarizes the investments of BNSF's funded pension plans as of December 31, 2014, based on the inputs used to value them (in millions):

Asset Category	Total as of December 31, 2014	Level 1 Inputs [a]	Level 2 Inputs [a]	Level 3 Inputs [a]
Equity securities:[b]				
U.S.	**$ 2,091**	$ 2,091	$ —	$ —
International	**77**	77	—	—
Corporate debt securities	**30**	—	30	—
Registered investment companies	**28**	28	—	—
U.S. government debt securities	**13**	—	13	—
Collateralized obligations and mortgage backed securities (MBS)	**6**	—	6	—
Cash and cash equivalents	**97**	—	97	—
Total[c]	**$ 2,342**	$ 2,196	$ 146	$ —

[a] See Note 2 to the Consolidated Financial Statements under the heading "Fair Value Measurements" for a definition of each of these levels of inputs.
[b] As of December 31, 2014, three equity securities each exceeded 10 percent of total plan assets. These investments represent approximately 43 percent of total plan assets.
[c] Excludes less than $1 million accrued for dividend and interest receivable.

Comparative Prior Year Information

The following table summarizes the investments of BNSF's funded pension plans as of December 31, 2013, based on the inputs used to value them (in millions):

Asset Category	Total as of December 31, 2013	Level 1 Inputs [a]	Level 2 Inputs [a]	Level 3 Inputs [a]
U.S. equity securities [b]	$ 2,240	$ 2,240	$ —	$ —
Corporate debt securities	16	—	16	—
Registered investment companies	60	60	—	—
U.S. government debt securities	10	—	10	—
Collateralized obligations and mortgage backed securities (MBS)	2	—	2	—
Cash and cash equivalents	162	—	162	—
Total [c]	$ 2,490	$ 2,300	$ 190	$ —

[a] See Note 2 to the Consolidated Financial Statements under the heading "Fair Value Measurements" for a definition of each of these levels of inputs.
[b] As of December 31, 2013, four U.S. equity securities each exceeded 10 percent of total plan assets. These investments represented approximately 62 percent of total plan assets.
[c] Excludes $1 million accrued for dividend and interest receivable.

The table below sets forth a summary of changes in the fair value of Level 3 assets held by BNSF's funded pension plans for the year ended December 31, 2013 (in millions):

Level 3 Inputs	**Total**	**Real Estate**
Balance as of December 31, 2012	$ 32	$ 32
Purchases, sales and settlements	(32)	(32)
Balance as of December 31, 2013	$ —	$ —

The Company is not required to make contributions to the BNSF Retirement Plan in 2015. The Company is required to make contributions of less than $1 million to its other funded pension plans. The Company expects to make benefit payments in 2015 of $9 million from its unfunded non-qualified pension plan.

The following table shows expected benefit payments from its defined benefit pension plans and expected claim payments for the retiree health and welfare plan for the next five fiscal years and the aggregate five years thereafter (in millions):

Fiscal year	**Expected Pension Plan Benefit Payments** [a]	**Expected Retiree Health and Welfare Payments**
2015	**$ 167**	**$ 21**
2016	**$ 156**	**$ 21**
2017	**$ 155**	**$ 20**
2018	**$ 153**	**$ 20**
2019	**$ 149**	**$ 19**
2020-2024	**$ 692**	**$ 86**

[a] Primarily consists of the BNSF Retirement Plan payments, which are made from the plan trust and do not represent an immediate cash outflow to the Company.

Defined Contribution Plans

BNSF and BNSF Railway sponsor qualified 401(k) plans that cover substantially all employees and a non-qualified defined contribution plan that covers certain officers and other employees. The Company matched 75 percent of the first six percent of non-union employees' contributions and matched 25 percent on the first four percent of a limited number of union employees' contributions, which are subject to certain percentage limits of the employees' earnings, at each pay period. Employer contributions are subject to a five-year length of service vesting schedule. The Company's 401(k) matching expense was $35 million, $34 million and $32 million during the years ended December 31, 2014, 2013 and 2012, respectively.

Other

Under collective bargaining agreements, BNSF Railway participates in multi-employer benefit plans that provide certain postretirement health care and life insurance benefits for eligible union employees. Insurance premiums paid attributable to retirees, which are generally expensed as incurred, were $65 million, $65 million and $71 million during the years ended December 31, 2014, 2013 and 2012, respectively. The average number of employees covered under these plans were 40 thousand, 37 thousand and 36 thousand during the years ended December 31, 2014, 2013 and 2012, respectively.

14. Related Party Transactions

BNSF Railway is involved with BNSF and certain of its subsidiaries in related party transactions in the ordinary course of business, which include payments made on each other's behalf and performance of services. Under the terms of a tax allocation agreement with BNSF, BNSF Railway made federal and state income tax payments, net of refunds, of $1,645 million, $2,455 million and $1,235 million during the years ended December 31, 2014, 2013 and 2012, respectively, which are reflected in changes in working capital in the Consolidated Statement of Cash Flows.

At December 31, 2014 and 2013, BNSF Railway had $44 million and $62 million, respectively, of intercompany receivables which are reflected in accounts receivable in the respective Consolidated Balance Sheets. At December 31, 2014 and 2013, BNSF Railway had $23 million and $141 million of intercompany payables, which are reflected in accounts payable in the respective Consolidated Balance Sheets. Net intercompany balances are settled in the ordinary course of business.

At December 31, 2014 and 2013, BNSF Railway had $9,963 million and $8,397 million, respectively, of intercompany notes receivable from BNSF. During the years ended December 31, 2014, 2013 and 2012, loans to BNSF were $2,806 million, $2,781 million and $2,252 million, respectively, partially offset by repayments received of $1,240 million, $809 million and $391 million, respectively.

BNSF Railway engages in various arm's-length transactions with affiliates in the ordinary course of business. The following table summarizes revenues earned by BNSF Railway for services provided to affiliates and expenditures to affiliates (in millions):

	Year Ended December 31, 2014	Year Ended December 31, 2013	Year Ended December 31, 2012
Revenues	**$ 175**	$ 179	$ 83
Expenditures	**$ 91**	$ 66	$ 60

15. Stock-Based Compensation

Prior to the Merger, BNSF shareholders approved the Burlington Northern Santa Fe 1999 Stock Incentive Plan and subsequent amendments which authorized BNSF common stock to be issued in connection with stock options, restricted stock, restricted stock units and performance stock.

Following the Merger, no further grants of BNSF stock were made under the BNSF stock-based compensation plans and each outstanding stock option or share award of BNSF common stock was converted into an option or restricted stock unit of Berkshire Class B Common Stock, in accordance with a formula to convert such awards.

A summary of the status of stock options is presented below (options in thousands, aggregate intrinsic value in millions):

	Options	Weighted Average Exercise Prices	Weighted Average Remaining Contractual Term (in years)	Aggregate Intrinsic Value
Balance at December 31, 2013	5,450	$ 59.78	3.77	$ 320
Exercised	(1,581)	60.43		
Cancelled	(1)	78.43		
Balance at December 31, 2014	**3,868**	**$ 59.51**	**3.26**	**$ 351**
Options exercisable at December 31, 2014	**3,868**	**$ 59.51**	**3.26**	**$ 351**

The total intrinsic value of options exercised was $111 million, $75 million and $95 million during the years ended December 31, 2014, 2013 and 2012, respectively.

16. Accumulated Other Comprehensive Income

The following table provides the changes of AOCI by component (in millions):

	Pension and Retiree Health and Welfare Benefit Items[a]	Equity Method Investments	Total
Balance at December 31, 2013	$ 251	$ (6)	$ 245
Other comprehensive income before reclassifications	(250)	4	(246)
Amounts reclassified from AOCI	(1)	—	(1)
Balance at December 31, 2014	**$ —**	**$ (2)**	**$ (2)**
Balance at December 31, 2012	$ (241)	$ (4)	$ (245)
Other comprehensive income before reclassifications	478	(2)	476
Amounts reclassified from AOCI	14	—	14
Balance at December 31, 2013	**$ 251**	**$ (6)**	**$ 245**

[a] Amounts are net of tax. See Note 13 for additional details.

Reclassifications out of AOCI[b]

Details about AOCI Components	Year Ended December 31, 2014	Year Ended December 31, 2013	Income Statement Line Item
Amortization of pension and retiree health and welfare benefit items			
Actuarial losses	$ (2)	$ (22)	[c]
Prior service costs	3	1	[c]
	1	(21)	Total before tax
	—	7	Tax (expense) / benefit
Total reclassifications for the period	**$ 1**	**$ (14)**	Net of tax

[b] Amounts in parenthesis indicate debits in the income statement.
[c] This component is included in the computation of net periodic pension and retiree health and welfare cost (see Note 13 for additional details).

17. Quarterly Financial Data—Unaudited

Dollars in millions

2014	**Fourth**	**Third**	**Second**	**First**
Revenues	**$ 6,027**	**$ 5,739**	**$ 5,614**	**$ 5,334**
Operating income	**$ 2,092**	**$ 1,869**	**$ 1,673**	**$ 1,360**
Net income	**$ 1,322**	**$ 1,181**	**$ 1,046**	**$ 848**

2013	**Fourth**	**Third**	**Second**	**First**
Revenues	$ 5,638	$ 5,527	$ 5,207	$ 5,180
Operating income	$ 1,877	$ 1,736	$ 1,587	$ 1,468
Net income	$ 1,236	$ 1,111	$ 1,012	$ 912

Part IV

Item 15. Exhibits and Financial Statement Schedules

(a) The following documents are filed as part of this report:

1. Consolidated Financial Statements—see Item 8.

   Schedules are omitted because they are not required or applicable, or the required information is included in the Consolidated Financial Statements or related notes.

2. Exhibits:

   See Index to Exhibits beginning on page 37 for a description of the exhibits filed as a part of this Report on Form 10-K/A.

Signatures

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, BNSF Railway Company has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

BNSF Railway Company

By: /s/ Carl R. Ice

Carl R. Ice
President and
Chief Executive Officer

Dated: March 4, 2015

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of BNSF Railway Company and in the capacities and on the date indicated.

Signature	Title
/s/ Matthew K. Rose Matthew K. Rose	Chairman
/s/ Carl R. Ice Carl R. Ice	President and Chief Executive Officer (Principal Executive Officer), and Director
/s/ Julie A. Piggott Julie A. Piggott	Executive Vice President and Chief Financial Officer (Principal Financial Officer), and Director
/s/ Jon I. Stevens Jon I. Stevens	Vice President and Controller (Principal Accounting Officer)
/s/ Stevan B. Bobb Stevan B. Bobb	Director
/s/ Gregory C. Fox Gregory C. Fox	Director
/s/ Roger Nober Roger Nober	Director

Dated: March 4, 2015

BNSF Railway Company and Subsidiaries

Exhibit Index

Exhibit Number and Description		Incorporated by Reference (if applicable)			
		Form	File Date	File No.	Exhibit
3.1	Restated Certificate of Incorporation of BNSF Railway Company, dated January 17, 2005.	10-Q	7/26/2005	001-06324	3.1
3.2	By-Laws of BNSF Railway Company, as amended February 28, 2014.	10-K	2/27/2015	001-06324	3.1
12.1	Computation of Ratio of Earnings to Fixed Charges.	10-K	2/27/2015	001-06324	12.1
31.1	Principal Executive Officer's Certifications Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.*				
31.2	Principal Financial Officer's Certifications Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.*				
32.1	Certification Pursuant to 18 U.S.C. § 1350 (Section 906 of the Sarbanes-Oxley Act of 2002).*				
101	XBRL - Related Documents				
	eXtensible Business Reporting Language (XBRL) documents submitted electronically: 101.INS - XBRL Instance Document 101.SCH - XBRL Taxonomy Extension Schema Document 101.CAL - XBRL Extension Calculation Linkable Document 101.DEF - XBRL Taxonomy Extension Definition Linkable Document 101.LAB - XBRL Taxonomy Extension Label Linkbase Document 101.PRE - XBRL Taxonomy Extension Presentation Linkbase Document	10-K	2/27/2015	001-06324	
	The following financial information from BNSF Railway Company's Annual Report on Form 10-K for the year ended December 31, 2014, formatted in XBRL includes: (i) the Consolidated Statements of Income for the years ended December 31, 2014, 2013 and 2012, (ii) the Consolidated Statements of Comprehensive Income for the years ended December 31, 2014, 2013, and 2012, (iii) the Consolidated Balance Sheets as of the December 31, 2014 and 2013, (iv) the Consolidated Statements of Cash Flows for the years ended December 31, 2014, 2013 and 2012, (v) the Consolidated Statements of Changes in Equity for the years ended December 31, 2014, 2013 and 2012, and (vi) the Notes to the Consolidated Financial Statements.				

*Filed herewith

Exhibit 31.1

Principal Executive Officer's Certifications

Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Carl R. Ice, certify that:

1. I have reviewed this annual report on Form 10-K/A of BNSF Railway Company;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ Carl R. Ice

Date: March 4, 2015

Carl R. Ice
President and
Chief Executive Officer

Exhibit 31.2

Principal Financial Officer's Certifications

Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Julie A. Piggott, certify that:

1. I have reviewed this annual report on Form 10-K/A of BNSF Railway Company;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ Julie A. Piggott

Date: March 4, 2015

Julie A. Piggott
Executive Vice President and
Chief Financial Officer

Exhibit 32.1

Certification Pursuant to 18 U.S.C. § 1350

(Section 906 of Sarbanes-Oxley Act of 2002)

BNSF Railway Company

In connection with the Annual Report of BNSF Railway Company (the "Company") on Form 10-K/A for the year ended December 31, 2014, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned, Carl R. Ice, President and Chief Executive Officer of the Company, and Julie A. Piggott, Executive Vice President and Chief Financial Officer of the Company, each hereby certifies that, to his/her knowledge on the date hereof:

1. The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: March 4, 2015

/s/ Carl R. Ice

Carl R. Ice
President and
Chief Executive Officer

/s/ Julie A. Piggott

Julie A. Piggott
Executive Vice President and
Chief Financial Officer

A signed original of this written statement required by Section 906 has been provided to BNSF Railway Company and will be retained by BNSF Railway Company and furnished to the Securities and Exchange Commission or its staff upon request.